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Greenspan Links Deficit Reduction To New Rate Cuts

By Lawrence Malkin
International Herald Tribune

NEW YORK — The chairman of the Federal Reserve Board, Alan Greenspan, challenged Congress on Wednesday to produce major, substantive, credible cuts in the budget deficit if it wanted the Fed to think again about a decisive easing of monetary policy.

Presenting his semiannual report to the Senate Banking Committee, Mr. Greenspan disclosed slight downward adjustments in the Fed's target numbers for raising in the economy this year and next, and dwelled on the problems of the slowdown in bank lending.

There was no indication that the central bank planned to ease credit again soon.

He confirmed that the Fed now was aiming at 8 percent for the federal funds rate, which governs the price at which banks obtain money to lend.

He disclosed that last week's decision lowering the federal funds rate by one-quarter of a point was designed to make more bank credit available to borrowers, and not simply to lower the interest rates.

Although Mr. Greenspan refused to characterize bank lending as being in a credit crunch and said it was mainly reacting to the credit excesses of the 1980s, he pledged that the Fed would stay alert to the need for more funds if the money supply grew more slowly than the targets.

Financial markets were looking for a more firm Fed commitment to accommodate the economic slowdown with easier credit, while Mr. Greenspan focused on the need for a political deal on the deficit.

He promised that the Fed would assess action on the budget and then act quickly — "all in the same morning if need be."

Under questioning, however, he said later that in assessing any budget pact, the Fed would first ensure that the financial markets also found it credible.

His testimony left markets confused and bond traders worried

that inflation was gaining the upper hand.

Choppy foreign exchange markets ended with a firmer dollar on the belief that the Fed would keep credit tight.

Stocks on Wall Street fell on the contrary fear that the Fed would ease. Inflation fears drove up yields on Treasury and corporate bonds.

One significant factor was the June consumer price index, which jumped 0.5 percent. Economists said this would probably inhibit the Fed from easing further.

Mr. Greenspan called the statistic an aberration. He pronounced himself pleased with the economy and said he did not believe it was on the edge of recession or that inflation would soar out of control.

In the formal forecasts submitted to Congress, economists for the Fed said consumer prices would rise from 4.5 to 5 percent during 1990, half a percentage point higher than the February forecast and another factor that unnerved the bond market.

The Fed forecast that next year's inflation would grow at a slower rate of 3.75 to 4.5 percent because of declining energy prices.

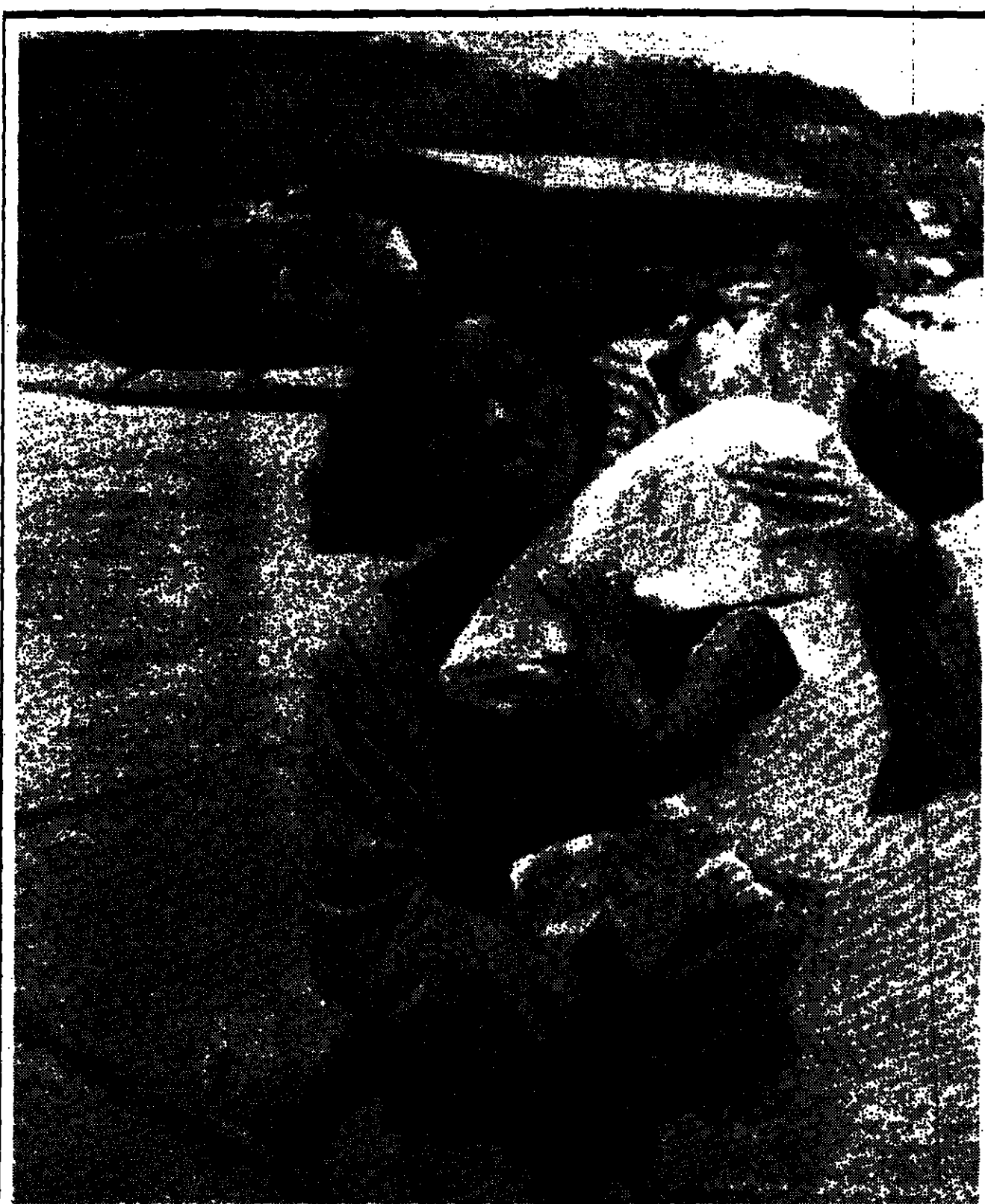
The Fed forecast real growth in the gross national product at 1.5 to 2 percent this year, at the lower edge of the target band announced by Mr. Greenspan at his last appearance before the committee in February. It set a similar growth band of 1.75 to 2.5 percent for 1991.

In offering lower rates in exchange for a solid budget deal, Mr. Greenspan was unusually outspoken for a Fed chairman.

He also told the committee that the deficit could be cut by \$50 or \$60 billion in the coming fiscal year without slowing down the economy.

"Major, substantive, credible cuts in the budget deficit would present the Federal Reserve with a situation that would call for a careful reconsideration of its policy stance," his main passage read.

See RATES, Page 12



FLEEING THE QUAKE'S HORROR — A woman clutching her child rushed to a rescue helicopter Wednesday as aftershocks hit Baguio. The resort city was devastated by the earthquake that rocked the main northern Philippines island of Luzon. Page 2.

U.S. to Negotiate With Hanoi in Move to Block Khmer Rouge

By Thomas L. Friedman
New York Times Service

PARIS — In a major policy shift, Secretary of State James A. Baker 3d announced Wednesday that the Bush administration was withdrawing its diplomatic recognition of the Cambodian guerrillas, which includes the Khmer Rouge, and opening negotiations with Vietnam on how to settle the Cambodian conflict.

Mr. Baker said after a two-hour meeting with the Soviet foreign minister, Eduard A. Shevardnadze, that the Bush administration had decided to shift strategy on Cambodia.

This was something that was strongly being urged on it by Congress because the existing policy appeared increasingly likely to promote a return to power in Cambodia of the murderous Khmer Rouge guerrillas.

The administration's new-found willingness to open talks with Vietnam on this issue could also pave the way for normalization of relations between Hanoi and Washington. The two have never established diplomatic ties in the aftermath of the Vietnam War.

Since Vietnam invaded Cambodia in 1978, overthrew the extremist Khmer Rouge regime and installed a pro-Vietnamese government, Washington has supported a three-faction Cambodian coalition trying to topple the Hun Sen regime in Phnom Penh. The United States argued that Hun Sen was an illegitimate puppet of an "expansionist" Soviet-backed Vietnamese government.

The guerrilla coalition consisted of two non-Communist groups led by the former Cambodian leader, Prince Norodom Sihanouk, and the former Cambodian prime minister, Son Sann. The most powerful military force in the coalition, however, was the third partner, the Khmer Rouge.

This meant that Washington, in its eagerness to remove the Vietnamese-installed Hun Sen regime, was indirectly supporting a guerrilla movement that could have restored to power the Khmer Rouge. Under its brutal rule in the 1970s,

one to two million Cambodians were killed or died of starvation.

The U.S. policy on Cambodia dates from the Carter administration, which, in an effort to improve relations with China, stifled some of its human rights concerns and condoned Beijing's support of the Khmer Rouge.

Justifying the Bush administration's move, long advocated by human rights organizations, Mr. Baker said: "We had a goal of seeking Vietnamese withdrawal from Cambodia. We have realized that. Another policy goal was to prevent the return of the Khmer Rouge."

He said the United States had not been able to achieve that goal. "So we want to do everything we can to prevent a return of the Khmer Rouge to power," he said. "That has been one of our policy goals all along that we've not been able to achieve."

The secretary said that in keeping with this objective, the United States would now "open a dialogue with Vietnam about Cambodia."

He said Washington would also "be prepared to enhance our humanitarian assistance to Cambodia" and to stop voting at the United Nations in favor of granting the Khmer Rouge-dominated coalition the right to hold Cambodia's seat there.

Mr. Baker indicated that Washington would continue to provide aid to the factions led by Prince Sihanouk and Mr. Son Sann to keep them politically alive until internationally supervised elections can be held in Cambodia.

Whether such a policy will be sustained by Congress, though, remains to be seen.

The secretary said he had briefed Mr. Shevardnadze, whose government backs Vietnam, about the policy switch.

Mr. Shevardnadze said that in light of Mr. Baker's remarks, American and Soviet approaches on Cambodia had "come much closer."

See KHMER, Page 6

Memory Speaks: Soviets Divided Over a Germany United

By Michael Dobbs
Washington Post Service

MOSCOW — At the eternal flame near the Kremlin wall, symbol of the 27 million Soviet dead of World War II, opinion was divided over the prospect of a united Germany becoming a member of the Western military alliance.

"It's normal. Why should we be worried?" said Dmitri Sidov, 22, escorting his bride on a tour of Moscow before their wedding. "This was not a war between Germany and Russia. It was a war between fascism and Stalinist-type communism. Both our countries have changed since then."

But Alexei Ivanov, a 65-year-old war veteran from the city of Brest-Litovsk, which was ceded to Germany in World War I, said: "Of course I'm concerned. I can accept that Germany should become one nation again. But why do they want to join an alliance that is opposed to us? I fear that history could repeat itself."

The clash of views at the eternal flame, a vivid reminder of the terrible losses suffered by the Soviet Union in what is referred to here as the Great Patriotic War, reflects a wider generational rift. Young people who have grown up since the war tend to take a much more benign view of Germany than do their parents, who still remember the Nazi invasion.

Over the past few months, President Mikhail S. Gorbachev has gradually prepared the ground for an about-face on German membership in the North Atlantic Treaty Organization — first flatly ruling it out, then indicating that it might be possible under certain circumstances.

Monday, in talks with Chancellor Helmut Kohl of West Germany, he finally conceded that a united Germany could join any alliance it wished.

A similar evolution seems to have taken place in Soviet public

opinion. Last year, most Soviets reacted to the idea with mixed incredulity and alarm. But many have reluctantly come to accept it as part of the stunning changes that have taken place in East-West relations.

Soviet commentators have emphasized the diplomatic and financial gains likely to accrue now that the issue of German unification is finally on the way to being resolved. They also have sought to reassure the public that the Soviet Union has enough nuclear armament to forestall any thought of aggression by the West.

"There is nothing for us to be

afraid of, even a united Germany," wrote Alexander Bovin, the leading foreign policy analyst for the government newspaper Izvestia. "Nobody is threatening us. Nobody intends to attack us. The transfer of the G.D.R. from one bloc to another will not have any significant impact on the level of Soviet security."

Mr. Gorbachev is likely to have a more difficult time selling German NATO membership to the general public, some of whom have been openly grumbling about "one-sided concessions" to the West.

For the moment, however, the military appears more concerned with the problem of decent housing

and living conditions for returning Soviet soldiers.

For most Soviet citizens, worries about East Germany defecting to NATO have been overwhelmed by the rapidly deteriorating economic situation at home. The wedding party near the Kremlin wall found humor in the idea of German reunification.

"If our leaders agree to East Germany uniting with West Germany, perhaps they will let the Soviet Union unite with the United States," joked Andrei Khripunov, the best man. "That would be one way of solving our economic crisis."



RUNNING ON EMPTY — Drivers in Sofia lined up Wednesday as Bulgaria joined other East European countries beset by gasoline shortages. In the past, Bulgaria has looked to the Soviet Union for supplies, but Moscow has cut back on its petroleum exports.

The U.S. Poorhouse: Vestige in Virginia

By Jim Naughton
Washington Post Service

MAURERTOWN, Virginia — The maples cast broad shadows across the face of the last poor farm in Virginia, keeping the living room dark and tolerably cool even in the slightest blaze of noontime heat.

The trees were only saplings when Virginia Spence and Dorothy Pence took up residence here in the early 1930s. The stepdaughters were saplings themselves, of course — Ginny being 6 and Doty 3 when the Depression forced their farm families into the home the county kept for its indigent.

"I have always liked it here," Dorothy Pence said. She is a solid, amenable woman not given to more than a sentence at a time. That is one more, in most cases, than Virginia Spence; she confines herself to identifying the faces of peo-

ple who, on the poorhouse porch 50 years ago, allowed a photographer to record their bewilderment, their dignity, their apprehension.

"This is you, Dorothy," she said, pointing at a thin, pixieish girl in the front row. "And this is me," she added as her finger fell on a round-faced child whose dark hair seemed to have been cropped by an ax.

Together the stepdaughters form the institutional memory of one of the most anachronistic institutions in the U.S. welfare system: the Shenandoah County Farm. Their reminiscences are among the few remaining links to a time when poorhouses and farms formed the backbone of the nation's often misguided efforts at helping the poor.

Modeled on the workhouses established in 19th-century England and places of profound squalor and sadness, they provided food and

shelter in return for an inmate's labor. They became all but obsolete after the New Deal — just as the stepdaughters arrived — when the government began awarding welfare payments directly to the needy. Their demise was further hastened by advances in caring for the elderly, disabled, retarded, mentally ill and others shunted into poorhouses because they had nowhere else to go.

Experts believe that the Shenandoah County facility may be the last of its kind.

That accounted for the recent burst of attention, when county supervisors in this corner of northwestern Virginia, about 90 miles (145 kilometers) west of Washington, said they were thinking about closing the place.

Because of revisions in Virginia law, the 220-year-old farmhouse with two dormitory-style

See POOR, Page 2

Klosk

Natal Bus Raid Kills 28 Blacks

JOHANNESBURG (AP) — Gunmen shot at a bus and van Wednesday in Natal Province, sending the vehicles plunging down an embankment and killing at least 28 blacks, the authorities said. Fifty-six were injured.

The police said the bus driver was shot, forcing the vehicle out of control as it carried rural blacks to work. The province has been marked by violence between black political factions. All those killed were on the bus.

General News

Dr. Karl A. Menninger, psychiatrist and foundation head, is dead at 96. Page 3.

The U.S. military plans to set up businesses as cover for its intelligence agents. Page 3.

Scientific study says mild blood pressure may also be a health problem. Page 3.

Health/Science

Parasites are getting growing attention from scientists seeking clues to evolutionary puzzles. Page 7.

Business/Finance

Japan's central bank left open the possibility of another rate rise this year. Page 9.

Crossword Page 8.

Weather Page 2.

Dow Close The Dollar

2,981.68 DM 1.848

Down Pound 1.818

18.67 Yen 147.755

FF 5.5285

Sudan War Deprives the Dinka of Their Sacred Source of Life

By Jane Perlez
New York Times Service

BOR, Sudan — To visit the cattle camp of Chief Alier Aien, a Dinka tribesman, in the gray dawn of the southern Sudan is like seeing a gathering of ghosts.

Many of the men and boys, tall and thin, have coated their naked bodies and faces in the white ashes of cow dung, a centuries-old protection against flies and mosquitoes.

Their cows, adorned with high lyre-shaped horns, are dusted in the same powder. The ground is scattered with the pale cinders of campfires.

The orange hair of the young men stands out against the whiteness. Coiffed into the shape of skullcaps, their naturally black hair has been colored by repeated washings in cow urine and blanching by the sun.

The Dinka, the dominant tribe in the southern Sudan, regard cattle as sacred, approximating human beings in value. They live in symbiosis with their cows, sleeping outdoors in the same camp and using the cow's milk, blood, skin and waste as resources for survival.

The seven-year-old Sudanese civil war has sharply reduced both the human and cow population in the southern Sudan. It has forced many Dinka, bereft of their prized cattle, to flee to refugee camps in Ethiopia, to the Arab north or to the southern town of Juba.

Lucky and perhaps wily, Dinka like Chief Alier have escaped the war with their cattle herds mostly intact. In April 1988 Bor was the scene of fighting between forces of the northern government and the rebel group known as the Sudan People's Liberation Front.

After heavy fighting, the 200-bed hospital built 30 years ago by the British colonial power and used as a final garrison by the army was gutted. Barges that plied the Nile rot on the river banks. The town's water tanks remain shattered after bombing.

The rebels, whose forces are mostly made up of Dinka tribesmen, now control Bor.

With international aid, the rebel civilian organization, the Sudan Relief and Rehabilitation Association, is trying to patch life back together for the survivors, many of whom like Chief Alier emerged from long

sojourns in the bush. In Dinkaland life essentially means the life of cattle as well as the people.

"I was always hiding my cows from the war," said the chief, who supported his thin body, bent with age, with a chin-level walking stick.

"In the dry season, I escaped to islands in the Nile. In the wet season, I took my cattle into the forest. Now I am happy there is no war."

This is the beginning of the wet season in the southern Sudan, and Chief Alier had brought his cattle in from the Nile. They are now based in a large circular clearing in the bush, a 45-minute vehicle ride from Bor.

The proximity of the chief's cows to Bor meant that a team of Sudanese veterinarians and paramedics, led by Adrian Pintos, an Argentine veterinarian of the United Nations Children's Fund, could inoculate the cattle against rinderpest, the deadly cattle virus.

The adult cows in Chief Alier's 1,000-strong herd, which is a large herd for one man, were vaccinated last year for the first time in five years.

Because the war forced cattle to be kept in confined areas where disease could easily spread and government vaccination ended in 1983, untold numbers of cattle are believed to have died in the southern Sudan. No one will hazard a guess how many.

In all, Unicef estimates that it vaccinated 95,000 cattle in Bor last year and 100,000 in Kapota, a rebel town to the southeast. This year, the Unicef team was back to inject Chief Alier's young cows.

As unchanged as the traditions of the Dinka remain, the veterinarians say the people are sophisticated and knowledgeable about the need for immunization against rinderpest, which once it infects a herd is liable to kill 95 percent of the cows, Mr. Pintos said.

The Dinka rely on the cows' milk, not the meat, for sustenance. "Only if we have hunger and there is no milk will we kill a bull to eat," the chief said.

"When I kill a bull, it is not only for my family but everyone. Since God gave me cows, I will give to everyone."

WORLD BRIEFS

Moscow Is Open on Ties With Seoul

SEOUL (Reuters) — The Soviet Union has agreed to talks on the formation of full diplomatic ties, a spokesman for President Roh Tae Woo said Wednesday.

Mikhail S. Gorbachev, the Soviet president, accepted Mr. Roh's proposal for talks in an exchange of letters that the spokesman said could be regarded as the official start of specific efforts aimed at normalizing relations between the two countries.

The Soviet Union and South Korea have had increased contacts since Moscow sent a contingent to the 1988 Olympics in Seoul. The capitals exchanged consular offices earlier this year, and the two presidents met for the first time last month in San Francisco.

95 Tamil Rebels Killed in Sri Lanka

COLOMBO (UPI) — Sri Lankan security forces killed 95 Tamil guerrillas and wounded 50 others during an offensive aimed at capturing the northern part of the country, a military official said Wednesday.

Five of those killed were leaders of the Liberation Tigers of Tamil Eelam, the powerful rebel group that is fighting for an independent Tamil homeland in the northern and eastern parts of the nation.

The official said that security forces attacked rebel strongholds near the village of Mankulam just north of Vavuniya, 215 kilometers (133 miles) north of Colombo, and that 95 rebels and 8 soldiers were killed in the fighting. At least 50 rebels and 21 soldiers were wounded, he said.

34 Kashmiris Killed in Indian Clash

SRINAGAR, India (Reuters) — Indian security forces killed 34 Kashmiri militants near the border with Pakistan on Wednesday as the two countries held talks to in an effort to reduce tensions over a Muslim revolt in the Kashmir Valley. Militants also killed six security men in two separate attacks.

In New Delhi, the government announced that Jammu and Kashmir, India's only Muslim-majority state, would be placed under presidential rule beginning on Thursday.

In Islamabad, Pakistan, officials said the talks between the foreign ministers of India and Pakistan got off to a friendly start.

2 at Mir Space Station in Close Call

MOSCOW (Reuters) — Two Soviet cosmonauts almost ran out of oxygen during a space walk on Wednesday and their lives were in danger, a Soviet television broadcast said.

A reporter who was at mission control near Moscow said Anatoli Soloviyov and Alexander Balandin spent seven hours in space suits repairing their Soyuz TM-9 spacecraft and then trying to close a hatch that jammed open on the Mir space station.

Their oxygen supplies were intended for six hours and they were using emergency reserves. "Was the life of the crew in danger? Yes it was," the reporter said. Tass said the cosmonauts re-entered the space station through another hatch.

13 Acquitted of 1980 Bologna Blast

BOLOGNA, Italy (Reuters) — An appeals court acquitted all 13 defendants Wednesday of complicity in the 1980 Bologna railroad station bombing that killed 85 people in Italy's worst terrorist attack.

After a 10-month hearing, the court acquitted four neo-fascists sentenced to life in prison for the attack and nine other people convicted of lesser offenses linked to the bombing. The verdict was read to a stunned courtroom.

The bomb devastated the station's waiting room Aug. 2, 1980, killing 85 people and injuring about 200. The investigation that led up to the first trial in July 1983 was one of the biggest judicial assaults on the murky world of rightist extremism in Italy, which was rocked by violence from both ends of the political spectrum in the 1970s and early 1980s.

2 Presidents Are to Meet Waldheim

VIENNA (Combined Despatches) — The presidents of West Germany and Czechoslovakia will meet Kurt Waldheim on July 26, officials said Wednesday, ending four years of virtual isolation for the Austrian head of state.

President Richard von Weizsäcker of West Germany and his Czechoslovak counterpart, Vaclav Havel, will see Mr. Waldheim during the opening of the annual Salzburg Festival, Mr. Waldheim's spokesman said.

Mr. Waldheim came under fire at home and abroad for initially concealing his wartime years in Yugoslavia and Greece as an intelligence officer serving with the invading army of Nazi Germany. He has consistently denied any wrongdoing.

Accident Kills 5 French Bomb Police

PARIS (AP) — Five bomb-squad members trying to dig up and destroy a cache of World War II artillery shells were killed Wednesday when the plastic explosives they were using detonated accidentally.

The men were part of a unit dispatched to help dispose of more than 2,600 German shells found recently along a road near Epervan, south of Dijon in east-central France.

Investigators said the explosives were to be used to destroy the latest batch of unearthed shells. It was not immediately known what caused the blast, and the identities of the victims were not immediately released.

For the Record

China is planning to buy Soviet MIG-29 and Su-24 fighters, Jane's Defense Weekly reported. The two countries held discussions on the issue during a recent visit to the Soviet Union by a Chinese military delegation, the military publication said. (AP)

TRAVEL UPDATE

French Rapid Train May Cross Alps

CHAMBERY, France (AP) — France's high-speed train network may be linked to Italy by a 54-kilometer tunnel through the Alps, according to a proposal Wednesday.

The proposed 252 kilometers (156 miles) of track between Lyon and Turin could be covered by a high-speed train in 90 minutes, compared with the current time of 4 hours, 10 minutes, the French railroad said in its study. The railroad estimated the cost at \$4.5 billion.

SAS reached a wage agreement Wednesday with its Swedish pilots, whose one-day walkouts have led to widespread cancellations of flights. SAS agreed to a 7-percent raise for the pilots, who in turn pledged to increase productivity through more flying time. (Reuters)

WEATHER

EUROPE				ASIA			
	HIGH	LOW			HIGH	LOW	
Amsterdam	12	8	C	12	22	18	F
Berlin	12	8	F	12	22	18	F
Brussels	12	8	F	12	22	18	F
Frankfurt	12	8	F	12	22	18	F
London	12	8	F	12	22	18	F
Madrid	12	8	F	12	22	18	F
Munich	12	8	F	12	22	18	F
Paris	12	8	F	12	22	18	F
Rome	12	8	F	12	22	18	F
Stockholm	12	8	F	12	22	18	F
Vienna	12	8	F	12	22	18	F
Zurich	12	8	F	12	22	18	F
AFRICA				LATIN AMERICA			
Algiers	12	8	F	12	22	18	F
Cairo	12	8	F	12	22	18	F
Harare	12	8	F	12	22	18	F
Lima	12	8	F	12	22	18	F
Managua	12	8	F	12	22	18	F
Medan	12	8	F	12	22	18	F
San Jose	12	8	F	12	22	18	F
Seoul	12	8	F	12	22	18	F
Taipei	12	8	F	12	22	18	F
Tokyo	12	8	F	12	22	18	F
NORTH AMERICA				MIDDLE EAST			
Anchorage	12	8	F	12	22	18	F
Chicago	12	8	F	12	22	18	F
Denver	12	8	F	12	22	18	F
Detroit	12	8	F	12	22	18	F
Houston	12	8	F	12	22	18	F
Los Angeles	12	8	F	12	22	18	F
Manila	12	8	F	12	22	18	F
Minneapolis	12	8	F	12	22	18	F
New York	12	8	F	12	22	18	F
Phoenix	12	8	F	12	22	18	F
San Francisco	12	8	F	12	22	18	F
Seattle	12	8	F	12	22	18	F
St. Louis	12	8	F	12	22	18	F
Washington	12	8	F	12	22	18	F
OCEANIA				THURSDAY'S FORECAST			
Adelaide	12	8	F	12	22	18	F
Brisbane	12	8	F	12	22	18	F
Canberra	12	8	F	12	22	18	F
Darwin	12	8	F	12	22	18	F
Hobart	12	8	F	12	22	18	F
Melbourne	12	8	F	12	22	18	F
Perth	12	8	F	12	22	18	F
Sydney	12	8	F	12	22	18	F

Aftershocks Scatter Rescuers In Philippines Quake Zone

United Press International

MANILA — Strong aftershocks from an earthquake that killed at least 315 people rocked the northern Philippines on Wednesday, sending rescue workers scrambling from crushed buildings where hundreds of people were still trapped, officials said.

An aftershock measuring 6.3 on the open-ended Richter scale struck at 6:15 A.M. followed by another at 6:29 A.M. that registered 5.9, they said.

There have been more than 200 aftershocks since the 7.7 temblor rumbled across the main Philippine island of Luzon on Monday.

The quake, centered in Cabanatuan, 95 kilometers (60 miles) north of Manila, was the deadliest to strike the Philippines since August 1976, when an earthquake and tidal wave killed more than 3,000 people on the southern island of Mindanao.

The military-run Office of Civil

Defense said the latest quake killed 315 people and injured at least 682. Officials said the dead included two Americans, one an official of the U.S. Agency for International Development.

The quake leveled 1,150 houses and severely damaged at least 5,300 more, leaving about 60,500 people homeless, the Department of Social Welfare said.

Rescue efforts were concentrated on the devastated towns of Cabanatuan and Baguio, where about 400 people were reported trapped in a half-dozen luxury hotels and in factories.

A spokesman for President Corason C. Aquino cited reports from workers who said they believed that about 150 people had burned to death in a building housing six factories in the Baguio processing export zone.

Rescuers have been hampered by numerous landslides that closed the road from Manila to Baguio.

Workers used explosives Wednesday afternoon in a bid to clear the last of 24 landslides, hoping to open the route to rescue vehicles by nightfall.

Television news reports showed the hotels in the mountain resort 190 kilometers north of Manila crumbled like accordions.

About 60 people were trapped inside the Hyatt Terraces and 40 others in the Nevada hotel, officials said.

Rescuers have given up hope of finding more survivors in the rubble of the six-story Christian College of the Philippines, where 49 students are thought to have been crushed to death, officials said. Workers pulled 179 people from the ruins Tuesday.

Power and communications remained out in Baguio. Rescue workers, who described the devastated area as a "war zone," said food, water and fuel were dangerously scarce.

POOR: In Virginia, an Anachronism's Last Stand

(Continued from page 1)

wings was slated to be outfitted with sprinkler and fire warning systems along with other repairs to maintain its status as an "adult home." The work would have more than twice the \$91,000 the supervisors had budgeted to keep it open.

It was only a matter of days, however, before a solution presented itself. It seemed that a "boarding house" didn't require the improvements that an "adult home" did, and since nobody at the farm needed medical supervision the place seemed to be a boarding house anyway. So that is what it became.

The primary result of the bureaucratic minutiae was to convince Delford Keckley, the farm's administrator, of its historic importance.

Mr. Keckley is a nearly toothless man with galloping sideburns, a generous paunch and energy that belies his 67 years. "I'll give you one brick to take home from this place," he told a visitor. "I done the same for everybody else."

It was an odd memento — deep red and smooth, yet not nearly as evocative as the spare but Gothic stories the stepsisters remember as they sat together examining two old photographs. Before them were the companions of their childhood — men, women, children — arrayed on the porch as if Walker Evans had posed them.

"That's Bob Nesselrod," Miss Spence said, her finger pointing at a man seated at the corner of the porch. He was wearing a frayed jacket and had the look of someone about to be struck.

"He used to bang a stick on his bed and say it was a banjo," Miss Pence said.

"Ain't he the one who used to wear the ball and chain?" Mr. Keckley asked.

"Yes," Miss Pence said. "He used to run away — down the road, out in the field, chase the cows." "I found it in the dungeon," Mr. Keckley said. "It must have weighed 50 pounds."

The dungeon, he added, lies beneath the farmhouse living room. It is where the original owners punished their slaves, he said. "It's deep — and dark!"

"That's where that lady died," Miss Pence said.

To the extent that he has been able to piece it together, Mr. Keckley said that in the late 1930s and early '40s, the farm administrator put an old woman in the dungeon to punish her for terrorizing the children. She died there. "Her records say she was 112," he added.

There is enough in such fragments to suggest that poor farms were intended to be places of misery. Advocates of "scientific charity" believed that if relief were too easily available, the able-bodied would decide not to work. So the poorhouse had to be as wretched as possible.

Meanwhile, life at the Shenandoah County Farm goes on more peacefully than its 19th-century proponents intended. Mr. Keckley lives here with his wife and son and six mostly silent residents — three men and three women ranging in age from about 45 to 70.

They are people like 69-year-old Guy Finks, who has Parkinson's disease and needs to be reminded

every now and then to take his medicine; the Dysart brothers, Jay and Wilbert, hefty men in their late fifties who seemed to lose interest in looking after themselves after their parents died about eight years ago; Reba Lineweaver, an engaging woman in her mid-forties whose speech impediment and tangled syntax can make it hard for her to talk with people.

Most of them have been here six or seven years, but Mr. Finks arrived in 1970, one of the last years that residents worked the 265-acre (107-hectare) farm, planting and harvesting crops, keeping house and tending cows, pigs and chickens. The place never paid for itself, though, and as families moved out and the remaining residents grew older, the county decided to sell off the machinery and lease the land and outbuildings to a local farmer.

Oddly, and without anybody really intending it, the poorhouse in Shenandoah County has come to resemble a modern-day group home more than an old-fashioned poorhouse.

The able residents help keep the place up. None are allowed to have a car on the grounds, but they are allowed to come and go as they please. Several hold down outside jobs.

The relationship between the Keckleys and the residents is warm. That is because Mr. Keckley went to school with members of some residents' families. Or it may be because of the experience he had with Ted Van.

Sixty years ago, Mr. Van lived near Mr. Keckley's maternal grandparents and took his Sunday dinner with them. So did the Keckleys. "He thought the world of us kids, and for some reason I thought he thought a little more of me than he did the rest of them," Mr. Keckley remembered.

Five years ago, a social worker brought a man to the poorhouse who was interested in living there. Mr. Keckley had not seen him in 55 years, but he recognized Ted Van right away. "If anybody ever told me I would have the opportunity to take care of him in his last days — which I did — I would have said you were foolish," he said.

Linda Gordon, a historian at the University of Wisconsin's Institute for Research on Poverty, offered a well-reasoned explanation for the value of such poorhouses: "If the institutions are of human size and scale, they allow people to develop a sense of community and allow people to develop a way of looking out for each other."

"Little things mean a lot," said Mr. Keckley, "as you well know."

Aid to Kenya To Be Maintained

Reuters

NAIROBI — The European Community and Japan are planning to maintain current aid programs to Kenya, but diplomats say a government crackdown on dissent here may make future negotiations tougher.

"Aid decisions will be made in the light of human rights and other factors," a European diplomat said Wednesday.

"The Japanese government hasn't decided any position on the recent turmoil in Kenya," a Japanese official said. "We have a wait-and-see position." Of a total of about \$80 million provided Kenya by foreign donors in 1988, the latest year for which figures are available, Japan supplied \$145 million.



HEADING FOR A PLOWSHARE — A Soviet tank being inspected in a scrapyard at Erith, England. The tank is among the first of perhaps 10,000 Warsaw Pact tanks that could be going to Britain for recycling into agricultural tools and steel girders as part of arms reduction deals.

WEAPONS: Israel Called Lax

(Continued from page 1)

assault rifles and 100 Uzi machine guns, in addition to 250,000 rounds of ammunition.

A spokeswoman for the Israeli Embassy in Washington said the Israeli government did not know of, nor did it authorize, the transfer of the Antigua-bound arms to Colombia.

The spokeswoman, Ruth Yaron, added that the arms sold to Antigua were delivered only after Israeli Military Industries received an end-user certificate from the Antigua government.

Colombian and U.S. investigators allege that the arms shipment was part of a deal between the slain Medellín cocaine cartel leader, José Gonzalo Rodríguez Gacha, and Israeli mercenaries to train and arm assassins in Colombia at a time when the drug baron, an extreme rightist who harbored the dream of building a neofascist state, was trying to gather strength to overthrow the government.

At the same time the weapons deal was being made, the investigators said, Mr. Rodríguez Gacha hired at least three Israeli mercenaries, led by Yair Klein, to train his men in sophisticated military tactics and the use of explosives.

Mr. Rodríguez Gacha was killed by Colombian police on Dec. 15, 1989, and in a search of one of his rural ranches three weeks later, police officers found 178 Gali assault rifles and turned the serial numbers over to Israeli authorities.

Mr. Klein is a retired Israeli lieutenant colonel and head of Spearhead Ltd., a Tel Aviv-based security services firm. He is under indictment in Israel on separate charges of having illegally exported military know-how to Colombia.

In interviews with Israeli newspapers, Mr. Klein has denied any role in supplying the weapons to Mr. Rodríguez Gacha, saying the guns were purchased for a training school for Panamanian dissidents who wanted to overthrow Manuel Antonio Noriega.

Spain Pulls Envoy Out Of Havana

Compiled by Our Staff From Dispatches

MADRID — Spain recalled its ambassador for consultations

Wednesday after Havana accused Madrid's foreign minister of ignorance. The statement followed a dispute over Cuban security policies, men who entered the Spanish Embassy and shot at an asylum-seeker.

Cuba accused Foreign Minister Francisco Fernández Ordóñez of "ignorance" and "disinformation" for calling into question the civil guarantees of Cuban citizens, and said he was acting like a "pained colonial administrator" suffering from "historical amnesia."

Spain also sent an elite police squad Wednesday to protect its embassy and safeguard three Cubans who have taken haven there.

Herald Tribune

Published With The New York Times and The Washington Post

A Mideast Odd Couple

President Assad of Syria may have signaled an intriguing new flexibility during his remarkable visit to Egypt this week. Adroit American diplomacy could turn it into a new opening for Middle East talks. But that will require the Bush administration to sell two strategic points.

It will have to persuade the Syrian leader and Prime Minister Yitzhak Shamir of Israel to act on what both know — that both have more to fear from Iraq's growing military and power than from each other. Such a mutual understanding could lay the basis for Israeli-Syrian dialogue.

Meanwhile, Washington needs to persuade the Israeli government that talks with Damascus will not get anywhere unless there is progress on the Palestinian problem. Mr. Shamir might try to sidetrack talks with Palestinians by diverting his diplomatic efforts to improving relations with Syria. And Mr. Assad might be only too eager to play along, given his blood feud with Yasser Arafat of the Palestine Liberation Organization. But in the long run, Mr. Assad must tend to Palestinian concerns before he can clasp hands with Israel.

Hafez Assad has not visited Cairo since he denounced President Sadat's peace treaty with Israel. But in recent months he has surely developed a case of nerves over the ascendancy of his archrival, Saddam Hussein, in Iraq and Moscow's reticence as his main arms supplier. It is no great surprise for him to come courting Arab moderates like President Hosni Mubarak of Egypt.

Mr. Assad reiterates his standard demands that Israel give back the Golan Heights and agree to participate in an international conference on the Middle East. But now he also says he is willing to join Egypt's efforts to promote Arab-Israeli peace.

Israel could be interested. The Shamir government might see the Golan Heights as more akin to the Sinai Peninsula (returned to Egypt and demilitarized as a result of the 1978 Camp David accords) than to the emotionally charged real estate of the West Bank. And right now Saddam Hussein is public enemy number one in Israel and Syria.

President Assad and Mr. Shamir also share an intense dislike of Yasser Arafat. Neither wants to see negotiations between Israel and any group under his orders. And both leaders might make common cause to diminish PLO power. But however Mr. Assad feels about the PLO, he has to show concern for Palestinian interests.

That is where Presidents Bush and Mubarak can play a critical role. They rightly want to put Israeli-Palestinian talks back on track. The talks have been derailed by Mr. Shamir's intransigence on the makeup of the Palestinian delegation and by Mr. Arafat's failure to act against PLO terrorism. And no Arab leader, let alone Mr. Assad, is likely to improve ties with Israel until these talks begin and show progress.

For the moment, Mr. Shamir and Mr. Assad are posturing — but that is not meaningless. Their countries have demonstrated mutual restraint on the Golan Heights since the 1973 war. To carry that de facto cooperation beyond restraint, the Bush administration will have to exert its powers of persuasion to convince this potential odd couple they should act on their common interests.

— THE NEW YORK TIMES

Kill These New Weapons

Led by Sam Nunn, the Senate Armed Services Committee has sensibly trimmed \$18 billion from the excessive \$306 billion originally requested by the Bush administration for defense in 1991. That is a lot better than Defense Secretary Dick Cheney's proposed cut of \$8 billion. But even the Nunn proposal falls far short of what is necessary now to reduce military spending by a reasonable 25 percent five years hence.

Mr. Cheney proposed last month to cut the size of the armed force by 25 percent. But these reductions would trim spending by only 10 percent over five years — and they only by comparison with the bloated budgets of the Reagan administration.

Much more has to be saved to meet new needs, and the best way is to cut new weapons programs now. Otherwise they will eventually absorb most of a promising peace dividend.

The Senate Committee did, to its credit, vote to eliminate three wasteful weapons: a doubtful new air-defense missile system for

the army, the Milstar communications satellite and the aerospace plane. And it turned down a request to buy the first rail cars for launching MX missiles.

The senators also wisely slowed development of a new light helicopter for the army and an advanced tactical fighter plane for the air force. And they delayed procurement of the air force's C-17 transport and the navy's A-12 attack plane. These savings will only be temporary unless the programs are canceled or slashed.

Besides, the committee authorized two more Stealth bombers, at a cost of \$1.9 billion. That brings the total to 17, far more than is needed. It also failed to terminate unnecessary new weapons like the Seagull attack submarine, the DDG-51 guided missile destroyer and the new F-16 fighter plane. That is where the big money is.

The time to terminate these programs is now. It is up to the House Armed Services Committee to secure a real peace dividend.

— THE NEW YORK TIMES

Putting a Lid on Spying

The past decade's record wave of 45 espionage prosecutions in the United States led the Senate Intelligence Committee last fall to commission a group of private citizens to review the government's capabilities to combat this traffic, most of it conducted by government employees spying for money. The panel, led by Eli Jacobs, a New York businessman with experience as a defense adviser, has proposed 13 statutory changes that are in a bill now before the committee.

Few would question the gravity of espionage offenses — secrets are still being sought by Soviet intelligence and by other services — or the need for a strong government response. But as always in questions of national security, secret investigations and criminal prosecutions, special care must be given to the civil liberties implications.

The Jacobs committee has done a most conscientious job balancing the government's requirements and the rights of affected individuals. It recommends, for example, establishment of uniform, minimum standards for receiving security clearances instead of the agency-by-agency system now used. It drew on safeguards of retaining warrants from special federal intelligence courts, as with national security wiretaps. Here Congress should follow the commission's lead.

— THE WASHINGTON POST

Other Comment

Kohl's Groundwork Pays Off

One can differ in opinion on the way Chancellor Kohl has been working on German reunification. But one thing is sure: His policy has been most successful. With Mikhail Gorbachev's agreement to NATO membership for a unified Germany, Mr. Kohl has in fact already accomplished reunification.

President Gorbachev has made important concessions, but he has also made an important contribution to maintaining stability in Europe.

— De Volkskrant (Amsterdam)

It is not surprising that the final accord on German unity was announced by a triumphant Helmut Kohl. In nine months of gestation, it has been the Kohl-Genscher tandem that has dominated the diplomatic scene — in the East, in patiently removing Kremlin objections and laying the groundwork for major German-Soviet cooperation; and in the West, in leading their partners to accept profound changes in the

Atlantic alliance and in relations with Moscow. The new Germany has made its weight felt in international politics, even before it has legally achieved unity.

— Liberation (Paris)

Moscow could have kept its troops for an indeterminate time in what was formerly East Germany. NATO would not have been able to kick them out by force. But without a real military alliance behind them, the Soviet soldiers would have been like "objects in a museum," as The Economist put it.

— La Stampa (Turin)

Relations between Germany and the Soviet Union will complement the close relations between United States and Germany that have developed in the postwar period. The one does not rule out or replace the other. On the contrary, they supplement the understanding between Moscow and Washington that has been a precondition for developments in Europe in recent years.

— Berlingske Tidende (Copenhagen)

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Talks in the Caucasus: Just How Good Was the News?

By Jim Hoagland

PARIS — Mikhail Gorbachev's acceptance of German reunification in NATO is good news, not only for the West but for the Soviet leader. He has finally reached a bottom line from which he can begin to rebuild Soviet influence in Europe, with German help.

But is that last bit good news? You do not have to be an Old Thinker to feel uneasy about the West German chancellor sitting beside the Soviet president in the foothills of the Caucasus and casually disclosing that U.S., British and French troops will leave Berlin when the last Soviet troops withdraw from the eastern sector of reunited Germany.

The U.S. secretary of state was aloft in a jetliner when Helmut Kohl unveiled to reporters the German decision on how and when the U.S. contingent stationed in Berlin since 1945 would leave. James Baker, a keen supporter of the full-speed-ahead approach on German reunification, landed in Paris and could only enunciate about a U.S. withdrawal from Berlin and the rest of the Kohl-Gorbachev deal.

Mr. Kohl also presented his American allies with another fait accompli by agreeing with Mr. Gorbachev on a permanent demilitarization of East German territory, a position that was not agreed to by NATO prior to Mr. Kohl's departure for the Soviet Union. Mr. Bush and Mr. Baker had to grin and swallow that one, too.

That the end of American, French and British occupation rights in Germany is at hand has been apparent for months. Termination

is unavoidable and in most ways desirable.

Demilitarizing East Germany is an acceptable price to pay for unification. But Mr. Kohl has taken a major step toward the eventual demilitarization of all German territory without convincing consultations with his allies. This is an important marker for the future.

The Bonn-Moscow link gives greater influence to both.

Was the heavy symbolism of the new Soviet-German teamwork on security in Europe really necessary? Mr. Kohl could not have been unaware that in the Caucasus setting he was underlining the essential passivity, if not impotence, of his Western partners on the pace and content of German unification.

German strength and Soviet weakness have determined that pace and content for the past year. But the Kohl-Gorbachev meeting in Mineralnye Vody changes the dynamic. Mr. Gorbachev, who has handed over a string of preemptive capitulations, now begins to pull in some chips.

It is tempting to view Mr. Gorbachev's latest concession on the German issue solely as a defeat for his policies and an unalloyed triumph

for the Bush administration. It contains elements of both. But Mr. Gorbachev has emerged with the political partnership with West Germany that he has sought for over a year. It will help him carry out the vast strategic Soviet retreat from Central Europe that is vital to putting the Soviet Union back on its feet.

Mr. Gorbachev has managed to get the West Germans to pay for that retreat and to guarantee that unification will bring economic advantages and financial help for the Soviets. Bonn has also agreed to engage in a treaty-writing process with Moscow that will gradually diminish the U.S. presence and influence in Germany.

This is not chopped chicken liver for a man who has been dealing with weakness throughout this exercise. When he visited Bonn a year ago, Mr. Gorbachev made clear to his West German hosts that he put a good economic and political relationship with West Germany at the very top of his priorities — higher even than his relations with the Soviet satellites when that choice became inevitable. By shedding the costly and demeaning occupation force in Central Europe, he has killed two strategic birds with one stone.

Moreover, he appears to have contained the "who lost Germany" argument with no great difficulty at the Soviet Communist Party Congress last week. It ended with a clear Gorbachev political victory over his hard-line adversaries and the dismantling of the Politburo as a power center.

This, then, is not the moment to speak of the

failure of Mr. Gorbachev's European policy but rather of its relative success. That is an essential difference that American policymakers should keep in mind as they approach the next and much trickier phase of the remaking of Europe and of the Soviet Union.

It amounts to a simultaneous ending of World War II and of the Cold War. In neither case is the United States dealing with a defeated power that has no options. Mr. Gorbachev had no option but to agree to German reunification in NATO. Having accepted that, he is now free to influence the pan-European arrangements to come and the gradual dilution of NATO. The Bonn-Moscow link gives him an avenue to do so.

The Germans, citing 1919, have warned for months that they would block any attempt to impose any form of surrender on them. They feel that 45 years of atonement, recovery and democracy has erased the need for a World War II peace treaty. They have skillfully chipped away at the remaining symbols of allied occupation and German defeat in World War II. Mr. Kohl's unilateral announcement on Soviet soil about the allied presence in Berlin drove home the point that Germany will decide when the last vestiges of the war are to be removed from its territory. It is a troubling display of the kind of unilateralism that the Germans have demanded that others not practice on them. And it is troubling that the U.S. government lacks the wit and vision, to say so.

The Washington Post

NATO: Outlines of a Strange New (Already Endangered) Beast

By Pierre Lellouche

PARIS — First Dublin, then London, then Moscow. Victims of their own success in defeating communism, the institutions that have evolved in Europe since World War II are desperately trying to find a reason to stay alive in the new world that is emerging.

In Dublin, the European Community decided to accelerate from a march toward federalism into an all-out plunge. The Community now aims not just at a single currency, but at political and even military union.

In London earlier this month, the North Atlantic Treaty Organization faced an even more daunting challenge. How does one justify maintaining a military alliance when one's enemy has evaporated?

Other questions arise:

• How does one explain to the Germans, who now pay good Deutsche marks to the 380,000 Soviet soldiers still in the German Democratic Republic, that they should also keep paying for U.S. and allied troops on their soil? Against whom, and to do what?

• How can America maintain its political and economic influence on the Continent while withdrawing most of its troops and nuclear weapons?

• The Soviets indicated at the Cor-

bachev-Kohl meeting that they understood that the survival of NATO, with Germany securely fixed to it, is in their own best interest. But how does one keep the alliance alive without making it appear to be what it is: a collective defense mechanism against the Continent's overarmed superpower, the Soviet Union?

In short, how does one keep the United States in Europe when it is withdrawing the Germans tied in when they are about to recover full sovereignty, and the Soviets reassured when NATO's integrated military structure is to be maintained?

NATO's 16 members tried to square the circle July 6 in London by an impressive series of measures, from sending a message of friendship to the Soviets to abandoning the concepts of forward defense and flexible response.

Together, these reforms will give birth to a new NATO, a strange hybrid animal whose features are yet unknown. Let us try to picture it:

The head would remain American, because the integrated military command structure would be maintained and be ruled by an American supreme allied commander for Europe.

The belly would shrink, because the United States is likely to withdraw at least two-thirds of its contingent from 325,000 troops down to a range of 70,000 to 100,000; and the united German army would be reduced to 370,000 men, under the Kohl-Gorbachev agreement.

The nuclear "muscle" would be considerably shrunken as well, with the unilateral withdrawal of nuclear artillery shells and the opening of negotiations on remaining short-range tactical nuclear weapons.

The Germans make no secret of it: They want these talks to lead to the demilitarization of Germany.

Then there is the tail, a bizarre one: It will take the form of a Soviet ambassador, invited to sit with observer status at NATO meetings.

The new animal's mode of locomotion is unclear. The notion of forward defense (in which national allied contingents manned each section of the border, up against the Elbe) appears dead, killed by reunification and by Mr. Kohl's promise not to extend NATO coverage to East Germany. It is to be replaced by defense in depth, with troops moving farther west. But

where exactly? And what forces?

The flexible response doctrine is gone too; nuclear arms are now to be used only as a "last resort." Are we then back to the era of massive retaliation through U.S.-based strategic systems? Why would this strategy, so incredible 30 years ago, work today?

What remains to be seen is whether this new animal can long survive. It faces enormous problems.

The difficulties began in London, where both Prime Minister Margaret Thatcher and President François Mitterrand attacked the new NATO strategy. The British leader believes that the last-resort concept will destroy the credibility of U.S. nuclear deterrence.

The French president argues that the new U.S. strategy is worse than flexible response, condemning Europe to a prolonged conventional war.

NATO's chances for survival, in whatever shape, will not be resolved by the London compromise, but will be in the hands of the new Germany.

It is highly significant that the crucial decisions just reached on Germany's future in NATO were decided not at the NATO summit meeting but between Chancellor Kohl and President Gorbachev.

Mr. Kohl returned triumphantly

from the Soviet Union with a unified Germany's entry ticket to NATO in his pocket. But what NATO it will be is unclear. And the price he paid included two important strategic changes relevant to the alliance:

The first is that former East German territory will remain outside NATO, though it will be part of the European Community. The German troops deployed there (about a third of the future all-Germany army) will not be integrated in NATO.

The second is the unilateral reduction of German forces, to 370,000, as sought by Mr. Gorbachev. That figure apparently was decided by Mr. Kohl without consulting his allies. The London communiqué of 10 days earlier, while mentioning the reduction of allied forces, did so in the context of disarmament negotiations with Moscow. Mr. Kohl redrafted the London compromise to fit his needs.

Whether Germany decides to stay in the collective defense mechanism that NATO is to become is the question for the years ahead.

The writer, deputy director of the Institut Français des Relations Internationales, contributed this comment to the International Herald Tribune.

S&L: They May Cry 'Foul!' But Republicans Will Pay

By Tom Wicker

NEW YORK — Ed Rollins, the able and usually unflappable Republican strategist, sounded defensive and more than a little panicky at his party's Chicago meeting last week. He was trying to claim that it was the Democrats who had "sold out the taxpayers" in the colossal savings and loan scandal.

Mr. Rollins well knows, and so do those Democrats who would like to

may be. And the hard point is that the S&L disaster happened on Ronald Reagan's watch, and that the none-too-satisfactory cleanup has been inching ahead on George Bush's watch.

That may be unfair, but neither Mr. Bush nor Ed Rollins is complaining because communism collapsed in Eastern Europe and much of the public credits that to the president who was in office when it happened.

Richard Nixon did not hesitate to shine in the light of the moon landing, which took place in his first term, after President Kennedy had begun Project Apollo.

Ronald Reagan was happy to have American hostages come out of Iran the day he was sworn in.

It may be even less fair that the peculiar involvement of President Bush's son in the downfall of the Silverado savings and loan in Denver literally links the overall scandal by name to the man in the White House.

But it is not recorded that Republicans were loath to criticize Billy Carter, when President Carter's brother embarrassed the White House a decade ago.

Politics, like life, is unfair, and the rain falls on the just and the unjust alike.

The Bush family linkage to the

Both parties share the blame. But the disaster, and its unsatisfactory cleanup, have been on the Republicans' watch.

heap all the blame for the S&L mess on the Republicans, the BOTH parties — the Republicans in the executive branch, the Democrats in Congress — signally failed the taxpayers and their own public responsibilities.

If there was an edge of real political fear in Mr. Rollins's remarks, it probably was attributable to a well-known rule of politics that he has exploited often: If something happens on your watch, you get the credit or the blame as the case



Honest Numbers: Good for All but Bush

By Eliot Janeway

HARTFORD, Connecticut — A milestone event is taking place in the official scorekeeping on U.S. economic performance. On July 27 the Commerce Department will announce revisions for recent years in its tally of the gross national product of goods and services.

Most economic forecasting boils down to a guessing game over the annual growth rate recorded in the quarterly GNP number. Recently, any shrinkage seemed unthinkable. But this was before the lottery began to turn up growth rates close to zero. The game has now come to a screeching halt.

The players have suspended their scrutiny of where America may be going until they learn where it has been. The oracle they trust is about to confess error — not only for today but for yesterday.

GNP growth was reported not so long ago at a robust annual rate of 5 percent to 6 percent. The latest interim revisions indicate a drop to a puny 1 percent. Economists, however, have been spreading reassurances that the slowdown somehow measures the solidity and soundness of growth.

Certainly the stock market has bought this pitch. This helps explain the inclination of politicians at all levels to discount grass-roots complaints and accept experts' rationalizations that slower is safer.

The welcome given the GNP slowdown has concealed the danger of a reversal in direction. But no statistical trickery can keep the revisions now in

the works from showing something worse: a switch to shrinkage.

Only a routine upward adjustment to allow for inflation has kept the GNP teetering above negative territory in the past two quarters. Since then, the GNP data have continued to catch up with the deterioration in economic performance, even as the statistical managers have claimed further victories in their campaign to dampen inflation. There is no way the GNP can be propped up to show gains — not just for the latest quarter, but for at least the past two quarters.

Two successive quarters of negative GNP happen to fit the accepted definition of a recession. The political consequences of such a disclosure would be momentous.

Sooner or later, Mr. Bush's lips are bound to open again and form a phrase. If he ever admits to having presided over a recession, with the Treasury borrowing \$300 billion a year, he will land in big trouble.

The economic consequences are less momentous. To declare officially that a recession has arrived is merely to say out loud what most people already know. Even those who are still doing well are feeling their discomfort levels rise.

Never have bankers shared fears of panic with big depositors while the stock market heads for new highs. The major operators in the stock market seem to share just one goal:

a last whirl before the deluge.

Customers have been dialing up recession results at retail counters all over America for months.

During the early 1930s, the country spoke freely of depression and lived with the reality. The Ford's Paradise had collapsed with the 1929 crash, and no statistical make-believe postponed the perception of harsh realities.

The GNP had not yet been invented, so economists and officials had no alternative but to ponder the "anecdotal evidence" from industries and regions that the GNP now permits them to ignore. When the GNP was born in the late 1930s, its sponsors never dreamed that it would be misused as a forecasting tool. Their purpose in the depression-ridden atmosphere of the time was different: to X-ray deficiencies in economic performance with an eye to suggesting policy remedies.

The Federal Reserve chairman, Alan Greenspan, is a compulsive statistical buff. Nevertheless, he recently acknowledged that the "anecdotal evidence" of distress was overwhelming.

In this historical perspective, the breakthrough by the real world into the ivory tower of economics, even before the GNP told the economic establishment what to think, has to be labeled progress. High time.

The writer is publisher of the Janeway Letter and author of "The Economics of Chaos: On Revitalizing the American Economy." He contributed this view to The Hartford Courant.

standing with a sentimental public.

He could use the help, since his once-phenomenal popularity has taken an abrupt, though not disastrous, tumble. The shipwreck appears due in good part to the S&L matter: 58 percent of respondents to a Gallup poll taken a week ago disapproved of President Bush's handling of it.

Shortly after the highly hyped invasion of Panama, his overall job approval rating was 80 percent; in the new Gallup poll it fell to 63 percent — still a level most presidents would enjoy but possibly only a waystop on the road down.

Mr. Bush's opposition to pending civil rights legislation (as the bill was written) also worked against him.

His approval rating among blacks dropped from a surprising 58 percent in February to 42 percent. Black disapproval rose in the same period from 28 percent to 42 percent.

In general, the poll data showed a public strongly approving Mr. Bush as national leader in world affairs — 82 percent, for example, on Soviet-American relations.

In domestic affairs, the public gave him much lower ratings: 64

percent faulted his handling of the federal deficit.

The big boost he received in February from the Panama expedition had almost entirely disappeared last week — poetic if delayed justice.

The poll did not disclose, however, vast public discontent with Mr. Bush's repudiation of his 1988 pledge not to impose new taxes; celebrating Democrats, take warning.

It remains to be seen, moreover, whether the White House-congressional "summit meeting" (more hype) on taxes will result in a bipartisan agreement. If it does not, Mr. Bush surely will claim that he had refused to go along with wicked Democratic schemes to raise taxes.

After all, as Vice President Dan Quayle explained at Chicago, with the precision of thought for which he is renowned, "Many Democrats made it clear that their first and only priority was to raise taxes."

The vice president and many other Republicans claim it even clearer that their first and only priority is to be able to keep on making such wildly overstated charges.

The New York Times

100, 75 AND 50 YEARS AGO

1890: Defending Russia

BERLIN — An article in the *Hamburger Nachrichten* which, it is said, is inspired by Prince Bismarck, takes up the cudgels for Russia. It says that the retirement of Prince Ferdinand from Bulgaria would be not a menace, but a guarantee of peace in Europe. If Germany were to break with Russia to please Austria, Germany would become dependent on Austria, and lose the liberty she has hitherto preserved as a member of the Triple Alliance.

1915: An Attack at Sea

NEW YORK — The steamship Orinda, Captain Thomas McComb Taylor, with 212 passengers, nineteen of them Americans, arrived from Liverpool to-day (July

OPINION

The Sounds in Kiev's Streets Have to Do With Democracy

By David S. Broder

KIEV, U.S.S.R. — Every day they come and stand on the broad plaza outside the Ukrainian parliament building. A few carry political signs or the pale blue and yellow flags of Ukrainian independence. Most come just to share vicariously in the extraordinary experience of having a democratically chosen legislature of their own, with a vocal and independent opposition to the Communists. They listen to the morning's proceedings on loudspeakers in the trees, and when the delegates to the Supreme Soviet of the Ukrainian Republic take their two-hour lunch break, the people but-tole their representatives as assiduously as any Washington lobbyist.

These are not quiet discussions. The emotions rise quickly on warm summer

The fierce energy of public debate has a momentum of its own.

afternoons. They are fueled by the decades of frustration at having their opinions stifled or ignored. In the not-too-distant past, they could have been jailed for saying what they are saying now. So they speak their pieces in strong, clear tones. The sound of democracy in this and other parts of the Soviet Union is the sound of raucous, cascading debate.

What strikes a visitor is the readiness of the 450 elected representatives to subject themselves to the harrangues and questions and criticisms. Cops are at hand to clear a path to the hotel where many of the legislators lunch, but the members of parliament make a point of coming up to the barricades behind which voters stand — and listening.

"It is good," said one delegate, Valentin Lemisch, a second-echelon apparatchik in the Agriculture and Industry Department, one of many bureaucrats and factory managers the Communists put on their candidate lists.

"In this place, anyone is free to express any thought, display any symbol. It gives them a good feeling. If some want to find it evil, so be it. Most of us deputies understand it is normal."

It is anything but normal for the Soviet Union, of course, but the fierce energy of the public debate that Mikhail Gorbachev unleashed five years ago has developed a momentum of its own. From the edges of the Soviet empire, the drive for self-determination has moved with express-train speed into the very heart of the nation — into Russia and into the Ukraine, which on Monday issued a bold proclamation of sovereignty.

In the Ukraine, the second-largest republic, with 52 million people, a Solidarity-like umbrella independence movement called Rukh has grown from a whisper to a political whirlwind in less than a year. It rules Lvov, the center of

the western Ukraine, is close to a majority on the Kiev City Council and, with its allies, has grown to control one-third of the republic's legislature.

Its delegates often find themselves cheered and embraced as they emerge from the debates. Thanks to live radio broadcasts and evening telecasts of the day's sessions, previously little-known figures have become instant celebrities.

Some of them are, in fact, remarkable people, like their counterparts in Warsaw and Prague. Many are intellectuals who have put aside their work in an effort to save their country. Les Taniuk, 52, the secretary of the opposition caucus, is a theater director who has translated Shakespeare into Ukrainian and produced plays from Moscow to Cambridge, Massachusetts, and Champaign, Illinois.

During the Khrushchev thaw of the '60s, he created Kiev's first political theater group. It was suppressed by Leonid Brezhnev, who sent him into internal exile. He returned to his native city after Chernobyl, left the local Communist leadership "shaky enough so that I could found a youth theater."

He chose to run for parliament in a heavily polluted industrial area of the city, which is also the site of the Bitynya Memorial to 120,000 victims of Stalin's purges, and he won without a runoff — the only non-Communist in a 10-person field.

Mr. Taniuk's campaign and others across the Ukraine were coordinated and managed by Sergei Odarich, 23, a mathematician by training. Raised as a good Communist, in the Pioneer Clubs and Komsomol youth organization, he rebelled at the stifling orthodoxy, and last year he organized a campus chapter of Rukh at Kiev State University.

Mr. Odarich seems old beyond his years, with his formal dress and owlish glasses. Like some of the young American conservatives I met in the 1960s — say, David Keene or Paul Weyrich — he discovered that by relying on uninhibited young people, ready to drop everything and race across the city to distribute leaflets or turn out a crowd, he could easily out-organize the establishment.

"For me," Mr. Odarich said, "independence for the Ukraine is not an end in itself, but simply a way to assure that people are not treated like cattle, and are given the dignity and respect citizens of a nation deserve."

He added, "It is an opportunity for self-realization."

For himself and his new Moldavian bride, his most ardent wish is to get back to his own career "as soon as possible. The fact that mathematicians and physicians and artists have to do politics shows we do not have a normal society."

This is not yet a normal society, but it is one powerfully engaged in the process of seeking its own destiny.

The Washington Post.



"Mirror, mirror, on the Hubble, Who is free of blame for trouble?"

Adieu to This Artichoke of Autos

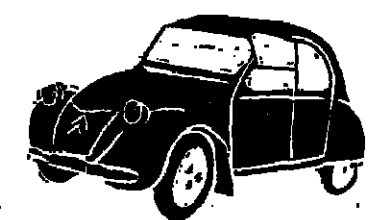
By Lesley Hazleton

NEW YORK — This is a tough summer for the French. Bad enough that a reunited Germany will put an end to French aspirations to the leadership of Europe. Bad enough that the English are buying up half the Normandy and Brittany coasts as summer homes. Now Citroën has announced that, after 43 years of production, the last Deux Chevaux will roll off the assembly line (in Portugal, where production was moved in 1987) at the end of the month.

The Deux Chevaux, also known as the 2CV, was France par excellence. It

was superbly, defiantly, doggedly resistant to everything that sets the testosterone and adrenaline running in the blood of car enthusiasts. It was an environmentalist's car long before Earth Day was conceived of. A counterculture car long before 1968.

If its detractors called it "a car de-



signed by a committee" or a "tin can on wheels," its admirers touted its Art Deco styling and its Banhaus functionalism. Its technical elegance was pure and simple: elimination. No distributor, radiator, head gaskets.

Its character was best defined by the qualities it lacked: power, speed, luxury, prestige, aggressiveness. As the French liked to say, it was to other cars as artichokes are to flowers.

You drove it on momentum. Despite the name, it could develop a grand total of 29 horsepower, produced by a 600 cc two-cylinder engine. It had front-wheel drive, air cooling, independent suspension and an amazing ability to survive unblemished where other cars would break an axle.

If you couldn't exactly win at Le Mans in it, you could, with skill, get up

to a reasonable 60 miles (about 100 kilometers) per hour, even 70 downhill.

You could take out all the seats and have your déjeuner sur l'herbe in comfort. You could roll back the canvas top and travel "cabriolet." The "air conditioning" was a flap below the windshield opened by a simple lever.

And it had real headlights — not set flush into the body but mounted proudly atop the hood. It also got well over 40 miles per gallon (80 in its original, 1947 version), when everything else got barely half that.

In the end, it could not compete with technology or with the Japanese, who upscaled the down-scale car. And so at a mere 43 years old, in the prime of its life, it is doomed to nostalgia.

In this age of consumer sophistication, I know it is absurd to feel betrayed by an automobile manufacturer. But Citroën had a cultural artifact on its hands, not just a motorcar. So, say it ain't so, Citroën. For all those memories of youthful treks through Europe, for our hopes for a saner attitude toward power and speed, for the sake of sense over status — mon Dieu, Citroën, pour la France!

The writer, who writes a car column for *Le Monde*, contributed this comment to *The New York Times*.

Letters intended for publication should be addressed "Letters to the Editor" and contain the writer's signature, name and full address. Letters should be brief and are subject to editing. We cannot be responsible for the return of unsolicited manuscripts.

LETTERS TO THE EDITOR

Uninterested? Hardly

Regarding "The Cold War Has Been Won at High Cost" by Joseph Lasch (Opinion, July 13):

Mr. Lasch's analysis of the ruin the superpowers visited upon themselves by their pursuit of the Cold War is excellent — up to the last line. It makes no sense to say that "the choice between them — even the abstract choice between socialism and capitalism — no longer interests the rest of the world." On the contrary, Eastern Europe, the Soviet Union and the Third World will build on the capitalistic foundation of the U.S.-led victory in the Cold War, just as the West built on the democratic foundations of the U.S.-led victory in the hot war that preceded it.

HERMAN ARCHER, Cairo.

Abortion and Religion

Regarding "This Cardinal Has Gone Into Politics" by A. M. Rosenthal (Opinion, June 18):

This cardinal is doing his job, and if that is considered politics, then I pray he

continues. The Roman Catholic Church has always taught that abortion is wrong, but unfortunately this has not stopped some people from resorting to it. It all depends on whether one decides to live a consistent life.

TOKUNBO SALAKO, Lagos.

The Planet Comes First

The report "Ecology: Europe Faults U.S." (July 11) states that the White House chief of staff, John Sununu, opposed new emission limits because "they would require major changes in the American way of life and industrial structure." That is precisely what they would and should do. It is indefensible that the Bush administration still regards preserving the American way of life as more important than preserving the planet for all people for all time.

Sir JOHN WHITMORE, Leigh, England.

Greece: EC All the Way

The otherwise well-conceived cartoon by David Suter that accompanies "Swe-

den: Forever Neutral?" (Special Report, June 27) depicts Sweden contemplating a dive into the European Community pool. Contrary to what the cartoon shows, Greece is a member of the EC and Switzerland is not.

MICHAEL HARTMANN, Athens.

Healthy but Ignored

I find little to disagree with the advice George Vessey offers world soccer's governing body ("Can the United States Handle a World Cup?" July 3), but would like to add one thing: FIFA should send a number of people to the United States to replace the ladies and gentlemen in the media currently covering soccer.

The catchphrase "the United States doesn't even have a league" is beginning to wear thin and annoy me. What have I been watching in Columbia, Maryland, and Hershey, Pennsylvania? Were the thousands joining me an illusion, too?

Perhaps the outdoor and indoor leagues have not progressed as far as their European counterparts, but they are there — young, healthy and grow-

ing, with good support. The only thing lacking is adequate coverage.

JAMIE CONDON, Bad Reichenhall, West Germany.

Say It Again: Sayonara

Regarding "For U.S. Executives, It's as Easy as 'Ikaga desu ka?'" by Deirdre Fanning (June 30):

Your article only reinforces the time-worn myth that the Japanese language is unimaginably difficult. The plain fact is that Japanese is simpler, both phonetically and grammatically, than English. Nor do articles such as yours present the other side of the coin — the sufferings of the Japanese as they attempt to master the intricacies of English.

RICK DAVIS, Kofu, Japan.

The Young Benumbed

In response to "U.S. Youth in '90s: The Indifferent Generation" (June 29):

The young without the privilege of higher education get a lobotomy every day, courtesy of the media. But as an

educator in the United States who has dealt with youth at the university level, I believe that the "privileged" are in a similar fix. Why?

College departments build no bridges to one another; the chief frame of reference is method, not meaning; no connections are made between the world of ideas and the practical world. Participatory citizenship, Jefferson's dream, is remote, so the young seek refuge in the private and the personal.

It is painful for me to see bright young people effectively numbed. I am reminded of Tennessee Williams being asked, "What is your definition of happiness?" His reply: "Insensitivity."

NANCY REEVES, Amsterdam.

What Else Did You Expect?

Regarding "Law and the EC: The Only Model the French Want is French" by Ethan Schwartz (July 13):

Is anyone who knows France surprised?

MAURICE W. BATTEY, Valbonne, France.

Singapore Airlines introduces Raffles Class.
(It's more than just Business as usual.)

Communist Exodus In the Soviet Union Quickens Its Pace

By Gary Lee
Washington Post Service

MOSCOW — The deputy mayor of Moscow, Sergei Stankevich, and six other leading Soviet officials resigned Wednesday from the Communist Party, joining in a wave of departures that is changing the country's political structure.

Hopes for radical transformation of the Communist Party of the Soviet Union in the foreseeable future are unrealistic, said a statement signed by the seven and read at a press conference. "We have made our choice, by deciding to leave the party, in order to promote the process of democratization and renovation of society."

The departing members include Yuri Ryzhov, a member of the presidium of the Supreme Soviet, and Mikhail Bocharov, a senior economic advisor in the parliament of the Russian Republic. Together with the 36-year-old Stankevich, they were among the most promising of the party's younger leaders.

The resignations of leading progressives from the party come in spite of signals from President Mikhail S. Gorbachev that he plans to move the party to the left.

At the close of the 28th Communist Party Congress in Moscow on Friday, Mr. Gorbachev promised to seek a broad coalition and to work with non-Communists in governing the country. The Soviet leader also said that he felt contempt for those leaving the party, however.

The flow of Soviets out of the party — totaling more than 130,000 so far this year — was dramatized by the departure of Boris N. Yeltsin, president of the Russian Republic, on Thursday. Mr. Yeltsin enjoyed a wide backing among the more radical factions of the party, and many lower-ranking members are expected to follow his example in the coming weeks and months.

After Mr. Yeltsin, the mayors of Moscow and Leningrad and members of the radical Democratic Platform also announced their resignations. All said they were dissatisfied with the results of the party congress even though Mr. Gorbachev succeeded in overcoming a conservative majority of delegates in the end.

Exactly how the departing Communists will be active in Soviet politics in the future is unclear. Some of the new members of Democratic Platform are already actively organizing a new party to the left of the Communists.

In their statement released Wednesday, Mr. Stankevich and the other departing members said they would engage in a dialogue with other nonparty groups. They also said that they might join one of the fledgling parties now emerging. But Mr. Yeltsin and some of the others have indicated that they prefer not to join a party.

Even for the most progressive of party members, the decision to leave the party is a difficult one. During Wednesday's press conference, for instance, Mr. Stankevich declined to discuss the reasons behind his choice. "It's my personal, I would say, intimate decision," he told reporters. "I would like not to speak about it now, not to make a global political act of this move. I can only repeat the words of Hamlet — 'the rest is silence.'"

Others who signed the statement were Alexei Yablokov, Valentin Lagunov, Vladimir Tikhonov and Alexei Emelyanov. All were members of the Interregional Group of the Congress of People's Deputies, the Soviet parliament.

Spokesman Warns U.S.
A government spokesman reacted strongly Wednesday to Bush administration plans to open a dialogue with Communist Party opponents, telling U.S. officials not to offer opponents "encouragement or assistance." The Associated Press reported from Moscow.

Secretary of State James A. Baker 3d said Monday he thought it would be appropriate for the United States to "touch base" with the Soviet opposition as it has with the opposition in other countries in Eastern Europe.

Arkadi Maslennikov, a spokesman for President Gorbachev, clearly drew the line at aid.

"I think the limit is if you meet people and discuss whatever matters you wish, that is your business," Mr. Maslennikov said at a briefing.

But he said if it involved "encouragement or assistance" that would be "interference in the internal affairs of the Soviet Union and would hardly be tolerated."

He said it would be immoral and illegal "to finance in any form political forces which are striving to come to power."

"It is one thing when you donate money for charity business, to fight disease or to help people in need, say after earthquakes or any other disaster, and another thing when you are financing political forces," he said.



Foreign Minister Eduard A. Shevardnadze, left, and Secretary of State James A. Baker 3d before talks that focused on U.S. assistance.

SOVIET: Lithuania Plans Its Own Military Draft

(Continued from page 1)

established by the government later on — the foundation for a Lithuanian army.

Lithuania is already at odds with the Soviet Defense Ministry for exempting Lithuanian men from the annual Soviet draft, and the latest move is likely to heighten tensions between Moscow and Lithuania as the two sides are preparing for formal negotiations on the future of the Baltic republic.

Defense Minister Dmitri T. Yazov warned in a letter to Vytautas Landsbergis, the Lithuanian president, that the republic's obstruction of army induction procedures "cannot fail to have a negative impact on Lithuania's future." The letter was made public Wednesday.

Several other republics have impeded the Soviet draft this year, either by enacting laws offering alternative service to conscientious objectors or by refusing to cooperate with the army in arresting draft evaders and deserters.

Russia and the Ukraine, the two largest of the 15 Soviet republics, have both passed declarations of

sovereignty that call for taking control over military affairs, but have not yet put specific measures into effect.

Lithuania is the first to approve the creation of its own parallel draft and defense force.

"The main purpose of the new law is to give us a legal basis to defend our young men who do not want to serve in the Soviet Army," he said. The law attempts to do this by asserting that only Lithuania has the right to conscript residents

of the republic, although they can serve voluntarily in the Soviet military.

Central Asian Deaths Rise
The number of deaths in ethnic violence rose above 200 in renewed clashes along the border between Uzbekistan and Kirghizia around the city of Osh. "Another four men have died in the past 24 hours, bringing the death toll in the inter-ethnic conflict to 204" since last month. The Associated Press reported, quoting Tass.

In Congress, a series of recent votes has made it clear to the administration that its policy of supporting a guerrilla movement that could return the Khmer Rouge to power is rapidly losing support, particularly as the end of the Cold War has made the Soviet-backed Hun Sen government less odious to Washington and the withdrawal of Vietnamese troops from Cambodia last year has undercut allegations that Hun Sen was a mere puppet of Hanoi.

Vietnam Welcomes Move
Vietnam's chief delegate to the United Nations welcomed the U.S. move to withdraw recognition from the Cambodian guerrilla coalition and open a dialogue with his country. The Associated Press reported.

"This represents progress in U.S. Cambodia policy," Ambassador Trinh Xuan Lang said in New York.

Mr. Son Sann, in Paris, accused the United States of "playing the game of Hanoi" and said he hoped the coalition could hold an emergency meeting as soon as possible in Bangkok or Paris.

Telephone calls to Prince Sihanouk's home in Beijing went unanswered. But his son, Prince Norodom Ranariddh, commander of his father's faction, said in Bangkok that the U.S. move would force the guerrillas closer to Beijing.

U.S. Switch Stuns Japanese Officials
International Herald Tribune
TOKYO — Japanese officials, apparently as stunned by Washington's new policy as their counterparts in Beijing and Southeast Asian capitals were, had no immediate comment late Wednesday, and were uncertain whether they would respond publicly on Thursday.

But it was apparent that the U.S. shift in its approach to Indochina had dealt a major blow to Japan's nascent foreign policy efforts in the region, while raising yet again for Tokyo the threat of isolation in the face of dramatic changes in East-West relations.

Prime Minister Toshiki Kaifu and his foreign minister, Taro Nakayama, have in recent months based their newly activist foreign policy on supporting the coalition that included the Khmer Rouge.

U.S. Expands Offer Of Help for Moscow

Compiled by Our Staff From Dispatches

PARIS — The United States on Wednesday expanded its offer of technical assistance to the Soviet Union.

During talks with Foreign Minister Eduard A. Shevardnadze, Secretary of State James A. Baker 3d outlined new areas where Washington felt it could be helpful, a senior U.S. official said.

Mr. Shevardnadze and Mr. Baker met for more than two hours in Paris after attending talks on German reunification.

Expanding on an offer first made at the U.S.-Soviet summit meeting at Malta in December, Mr. Baker offered U.S. technical assistance on housing, banking, development of a free market economy and tax administration.

More important, according to U.S. officials, he proposed to help develop an efficient system to get goods to markets.

Mr. Baker "made the point that it doesn't do any good for the Soviets to be producing a lot more goods or acquiring a lot more goods if they can't distribute it," a senior official said.

Mr. Shevardnadze did not respond immediately to the offer for assistance, made a week after the Houston economic summit meeting of the West's industrialized nations.

At that meeting, West Germany failed to win support from other countries for a multibillion-dollar package of direct aid to Moscow.

President Mikhail S. Gorbachev, under increasing domestic pressure to produce tangible results from his program of change, had appealed to the West for help.

President George Bush has said he wants Mr. Gorbachev to succeed but cannot endorse direct aid until Moscow moves toward a market economy.

Meanwhile, Mr. Shevardnadze, saying "the Arabs have a legitimate

concern," called on the United States on Wednesday to use its influence with Israel to stop the settlement of Soviet Jews in the Israeli-occupied territories.

Speaking after the talks with Mr. Baker, the Soviet envoy said he had asked that Washington "use all its authority to exert an adequate influence" so that new immigrants from the Soviet Union are not settled in the Gaza Strip and West Bank.

Mr. Shevardnadze said that Moscow was "presenting no more obstacles" to the emigration of Jews from the Soviet Union.

He added, "But what preoccupies us very much is the problem of the installation of persons coming from the Soviet Union in the occupied territories."

Mr. Baker made no comment on the Middle East in remarks to reporters after the talks.

David Levy, the Israeli foreign minister, had been scheduled to meet with Mr. Baker in Paris as well, but the session was canceled earlier this week on grounds that Mr. Levy recently suffered a heart attack.

Some diplomatic sources have speculated, however, that the Israeli prime minister, Yitzhak Shamir, opposed such a meeting at a time when the Shamir government has no obvious answers to U.S. concerns over the stalled Middle East peace process.

Mr. Shevardnadze also replied to a question on Afghanistan.

"The Afghan government has a new plan that includes very important elements for national reconciliation, free elections under the aegis and control of the UN and many other things," he said.

Mr. Baker and Mr. Shevardnadze will meet again in the Siberian city of Irkutsk on Aug. 1. Mr. Shevardnadze said the talks, at Lake Baikal, were likely to focus on Afghanistan.

(Reuters, UPI)

EUROPEAN TOPICS

East Europeans Try For U.S. Colleges

Thousands of East European students are seeking to enroll in American universities, The New York Times reports.

In Czechoslovakia alone, 2,500 students contacted the U.S. Embassy in Prague in December, January and February to get university addresses and materials on admissions procedures, said Adeline O'Connell, an education official of the U.S. Information Agency in Washington. The USIA disseminates materials on American schools to other countries.

But American college officials say they have little financial aid to offer East European applicants, who are largely poor and whose money is worth little abroad.

One promising opening is Harvard University, which does not limit the amount spent on foreign students, said William Fitzsimmons, Harvard dean of admissions and financial aid.

Princess and Vatican Argue Over Church

Orietta Doria Pamphili, 68, an Italian princess and descendant of a pope, is taking the Vatican to court over the ownership of a 17th-century church in Rome.

At stake are the rights of the princess over Santa Agnese in Agone, a church built more than 300 years ago by Francesco Borromini. It stands in Piazza Navona, the square that features Giovanni Lorenzo Bernini's Fountain of the Four Rivers at its center.

The church was commissioned by Pope Innocent X, a member of the Doria Pamphili family who ordered the demolition of an older church on the same site in 1652. According to Vito Mezzanelli, the princess's lawyer, Innocent X paid for the

construction and bequeathed the building to his family, which has been its legal owner ever since.

In 1981, Princess Doria Pamphili decided to donate the church to the Italian state. But recently she found out that the procedures for the handover were halted after the diocese of Rome registered the church as a legal entity in 1987 and appointed Jean François Arrighi, a Corsican bishop, as its legal representative.

The princess has summoned to court Cardinal Ugo Poletti, the vicar of Rome, as well as Antonio Cava, the interior minister, who reportedly approved the move. The Vatican has declined to comment on the subject. The first hearing is due in December.

Around Europe
Several dozen Spanish inmates of both sexes mingle each day for an hour and a half at the swimming pool of the Madrid prison of Alcala de Henares. The detention center for juvenile delinquents aged 16 to 25 started the experiment last week, the first to do so in Spain. Prison officials also plan mixed attendance at computer and grammar classes. The male and female prisoners, who live in individual rooms in separate compounds, are allowed to leave their cells during the day. The swimming pool hours and the mixed classes are meant as incentives to help inmates reintegrate into society once they leave prison. Maria José Marcos, the prison's psychologist, said that behavior had already improved noticeably but that several nascent romances could pose potential problems.

The French police said Tuesday that they had arrested a small-town burglar with a habit of eating snacks in the kitchens of homes he raided in Modix, Brittany. They were able to identify him from dental records after he left behind his false teeth during the latest outing. His name was not released.

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ACROSS

- 1 Dance of the 30's
- 3 Alike tool
- 5 Timeable, for short
- 14 She gets what she wants
- 15 Ipecac is one
- 16 K.G.B. ancestor
- 17 Bedouin chieftain
- 18 Lady Chaplin
- 19 Like a trireme

DOWN

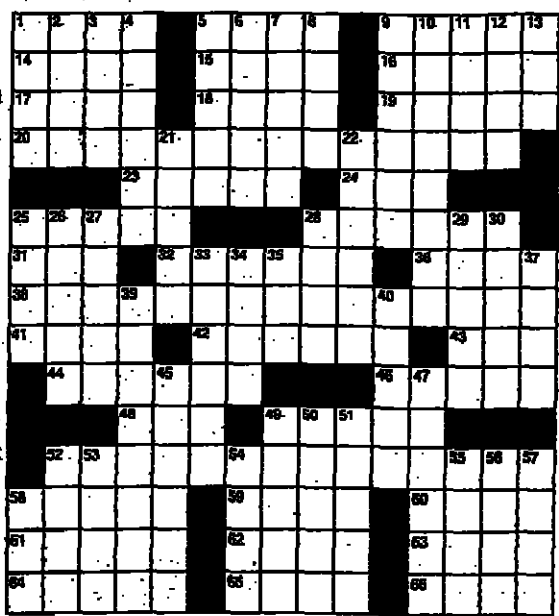
- 20 Express thoughts carefully
- 22 Hebrew letter
- 24 Lie closing
- 25 Halley's—
- 26 Part of a shoe
- 31 Porter or stout
- 32 Be about to happen
- 36 Tops
- 38 Feel free to act
- 41 Metal strap
- 42 In— (so to speak)

Monogram of Atlanta's Turner

- 44 A rhyme for credit
- 46 Money in the bank
- 48 "— that I loved Caesar less—": Brutus
- 49 Work incentive
- 52 Keep cool when vexed
- 58 Hot and sticky
- 59 Official records
- 60 Pier support
- 61 Coeur d'— Idaho city
- 62 Hound
- 63 Edom
- 64 Kitchen gadget
- 65 Nashville attraction
- 66 Incline

Sectional

- 5 Greek letters
- 9 Moves hastily
- 10 Certain drawing pencil
- 11 Dove
- 12 Barely manages, with "out"
- 13 Celebrant in June
- 21 — hand (humbly)
- 22 Actress Barrie and Hiller
- 23 Moneyed country singer?
- 26 City on the Allegheny
- 27 Reagan Cabinet member
- 28 Words before instant or uproar
- 29 Early film mogul and family
- 30 On the mother's side
- 32 "— Me," 1929 song
- 34 Attention-getting sound
- 35 Rock member
- 37 While's—
- 38 Call-in
- 40 Desist's partner



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Solution to Previous Puzzle

LOST DIAB IMAGE
OPRI ELIA NABOB
MATRIMONY SNAKE
ACUMNAE SPECTER
ANS ACH
ESMOND CANTURNA
RHINE VANE EIR
RAKE SIGNS ACNE
ODE ELEC INTOA
LYSANDER ELTONS
VOG ATT
BENARES SHUTEYE
ANENT LAMNOWER
BOOTH ALAI JELL
ANNIS BANC ORLE

DOWN

- 1 A lot
- 2 Man's castle?
- 3 Familiar follower of st
- 4 Treat a sore throat
- 5 Forster's "— with a View"
- 6 Part of a Blackmore title
- 7 Tremble
- 47 "— fidelis"
- 48 Digest, for short
- 50 On the move
- 51 Virgil called it Ausonia
- 52 Wahine's dance
- 53 Hebrew dry measure
- 54 Acronym originating in 1949
- 55 Galileo's birthplace
- 56 Its capital was Susa
- 57 Enlist again
- 58 Gen. Arnold

Just initials

nds Offer
r Moscow

By Natalie Angier
New York Times Service

IN BRIEF

Once ingested by ants, the larvae go to work, some moving into the ant's intestines, where

Some say that it makes sense for plants and animals to vary their offspring to outwit parasites, because parasites prefer to infest creatures that are similar to the hosts they have already exploited.

Richard Yarn/TH

For now, daily use of topical sunscreens and avoidance of sunlight is the prudent course; for the future, genetic counseling to determine the carrier status of your wife

The city of Atlanta, for example, has lost about 20 percent of its trees in 15 years. During that period, average summer temperatures in Atlanta have climbed almost 4 degrees Fahrenheit (2.2 centigrade).

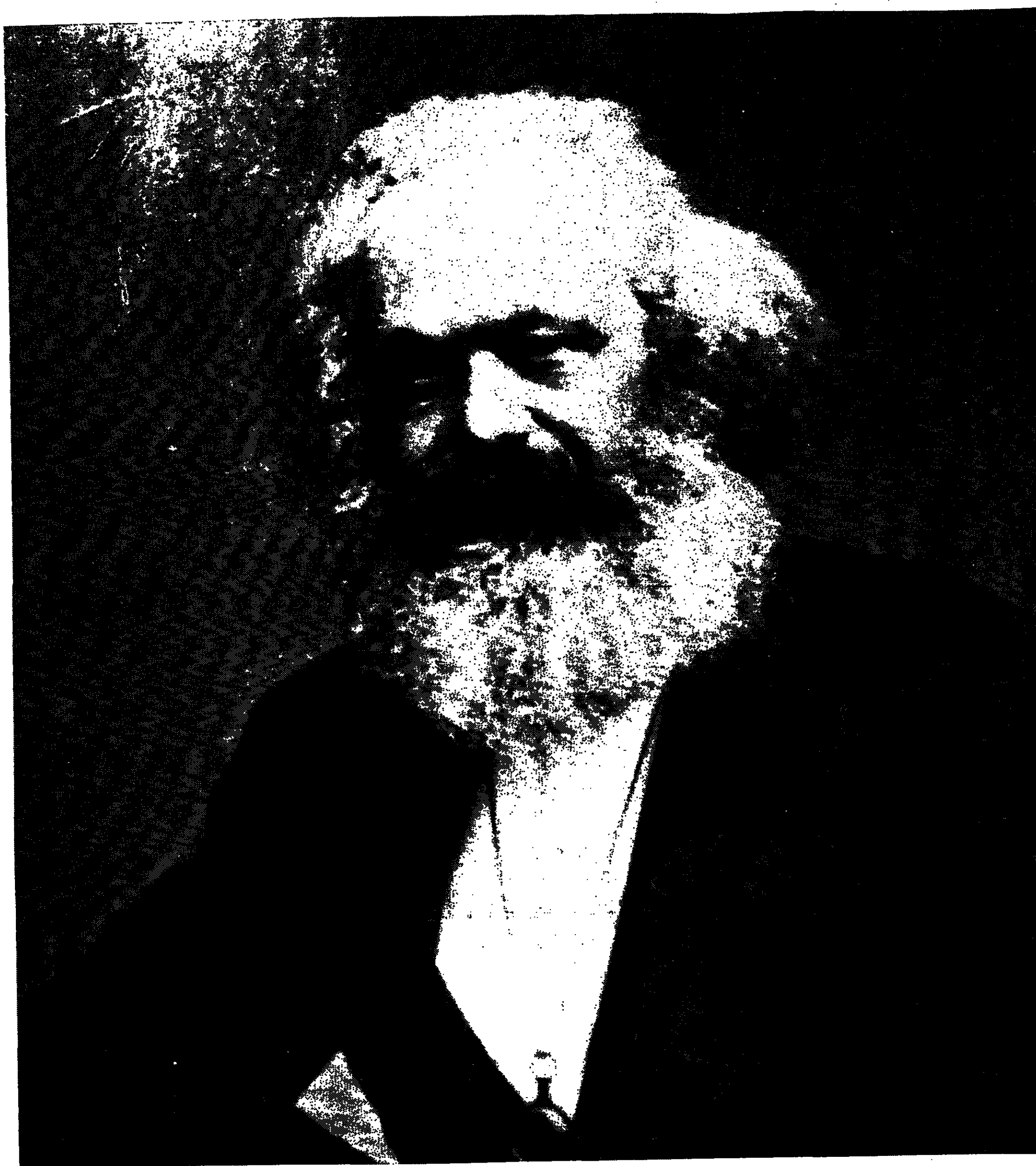
WASHINGTON (WP) — Trees may serve a major role in the con-

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WE'RE HELPING EASTERN EUROPE TRADE MARX FOR DOLLARS.

The Bush administration recently established an Eastern European Growth Fund to encourage private investment in Central and Eastern Europe. The fund is to be administered through the U.S. government's Overseas Private Investment Corporation, and Salomon Brothers has been named both its investment advisor and manager.

We're pleased to play a part in the President's initiative.

While we make markets every day, it isn't often we get the privilege of helping develop a free one.

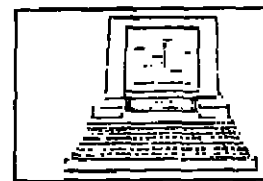
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INTERNATIONAL MANAGER

CEO's Toughest Dilemma
Is Choosing a SuccessorBy Deirdre Fanning
New York Times Service

NEW YORK — In January 1989, in the middle of an industry convention in Chicago, John Muller Jr., founder and chairman of the General Housewares Corp., summoned an executive vice president, Paul Saxton, to a coffee shop in the convention hall to deliver some long-awaited news: Mr. Saxton would succeed him as chief executive of the Stamford, Connecticut, company.

For Mr. Saxton, now 51, it was the chance he had waited for. Two years earlier, he had left the Sunbeam Appliance Corp., where he was a vice president for marketing and sales, on the promise that he would have a shot at the top job at General Housewares.

But for Mr. Muller, who is now 66, it was a bittersweet moment — the culmination of four years of trauma over the question of succession.

The choice of a successor is one of the toughest decisions a chief executive must ever make.

"It's like having a baby; I wanted to be sure the company would be in good hands when I left," said Mr. Muller, an elegant, silver-haired man with a patrician manner. "But I wanted to wait until I found someone strong enough to replace me."

And for company founders like Mr. Muller, the decision is often complicated by their conflicting feelings about giving an outsider something they have toiled long and hard to create.

Mr. Muller, who officially relinquished the top spot in May, is now struggling to take his mind off the company.

Still, while he dreads the breakup, Mr. Muller says it has given him a surprising sense of relief: "I was ready to let someone else handle the problems for a change. For me, the excitement of tackling new problems was gone."

Mr. Muller started the company in 1967. It was very profitable and became a favorite of Wall Street.

But things started falling apart late in the 1980s. With the influx of women into the workplace, sales of housewares began to drop.

With his characteristic insistence on running things, Mr. Muller personally took over the troubled cookware division.

"I was ready to let someone else handle the problems for a change," Mr. Muller said.

ALTHOUGH HE MANAGED TO STEM the losses, he realized that his one-man band, while functional in the good times, lacked the depth to pull through in the bad. "As we ran into choppy waters, we needed people who could adjust to new situations and I saw that we just didn't have that," he said. "I needed to surround myself with stronger people."

Paul Saxton fit this profile. "He had a marketing background and seemed to know all the right things to do," Mr. Muller said. "He was also able to stand up to me."

The other thing that was beginning to nag at Mr. Muller was the thought of who would replace him.

"I got through that second crisis," he said, "but really felt the chain getting tighter around my neck. I thought, God, this is beginning to wear thin on me."

By the mid-1980s, his own sense of unhappiness about the company's direction was affecting his managerial style.

"When we were just starting the company, I wasn't tolerant of people doing stupid things," he said. "I kept getting worse and worse. I realized just how little patience I had left and thought maybe this was a sign that I should get out."

In preparation, he decided to put Mr. Saxton in charge of the cookware division in 1988.

In a matter of 12 months, Mr. Saxton had improved profitability by cutting the division's huge product line, which Mr. Muller had taken particular pride in building.

Having been rewarded for his hard work two months ago, Mr. Saxton now confronts another challenge: dealing with Mr. Muller, who will keep the title of chairman for two more years.

Asian Exporters Assail U.S. Textile Bill

HONG KONG — Asian textile exporters contend that a bill passed by the U.S. Senate to restrict imports is a tactic to bolster Washington's position at trade talks in Geneva.

"The bill has apparently been introduced to put pressure on the U.S. negotiators in the Uruguay Round of GATT talks against making concessions on textiles and apparel," the director-general of trade in Hong Kong, Chau Tak-hei, said Wednesday.

The Senate voted Tuesday, 68 to 32, for the measure, which would allow only a 1 percent annual increase in imports of textiles and textile products. Currently, 75 percent of imports are covered by quotas that can be expanded by about 3.5 percent a year.

The legislation would have the greatest impact on nations like Hong Kong, Taiwan, Japan and South Korea.

But although a majority of House members have co-sponsored the legislation, the White House has threatened to veto the bill, making it unlikely that the measure will become law. Congress has failed twice to override presidential vetoes of similar textile measures.

A South Korean Trade Ministry official also said Wednesday that the bill seemed to be an attempt to strengthen the U.S. position in talks of the General Agreement on Tariffs and Trade. The United States wants the nearly 100 nations involved in the GATT talks to agree to a global textile trade pact, to be phased in over 10 years.

South Korea's textile exports to the United States were valued at

\$1.45 billion in the first five months of this year, down from \$1.55 billion in the same 1989 period, ministry figures show.

Hong Kong exported 11.9 billion Hong Kong dollars (\$1.53 billion) worth of textiles and clothing to the United States between January and May, up from 11.08 billion dollars.

Japan's textile and textile products exports to the United States in 1989 were worth \$820.51 million, down from \$886.97 million in 1988, government figures show. Japan, a net textile importer, fills only 50 to 60 percent of its quotas on average, an official said. The nation exports high-quality synthetic textile yarns to South Korea and Taiwan, which finish them into final products.

Taiwan's textile exports to the United States, representing about 30 percent of its total export value,

totalled \$1.28 billion in first half of 1990, down from \$1.4 billion.

Opponents of the bill warned that passage of the legislation could destroy GATT talks on liberalizing world trade.

"If this textile legislation is passed into law, then other nations will take off the negotiating table matters that are extremely important to us," Ronald J. Sordin, the chief U.S. textile negotiator at GATT, told the Senate Finance Committee. "Should this happen, the Uruguay Round negotiations will fail and the future of the international trading system will be bleak."

A spokesman for the Taiwan Textile Federation, T.Y. Lok, said, "Our policy has always been open trade. We regret the U.S. Senate position very much and hope President Bush will oppose the bill, just as former U.S. presidents have done."

Japan Rate Rise Talk
Persists Despite DenialsBy Patrick L. Smith
International Herald Tribune

TOKYO — Yasushi Mieno, the Bank of Japan's governor, denied persistent rumors of an imminent increase in the central bank's benchmark interest rate Wednesday, but he tacitly confirmed expectations in the markets by carefully leaving open the possibility of another rate rise later this year.

Economists and currency analysts interpreted Mr. Mieno's comments as a signal that unless the yen continues to strengthen, another increase in the central bank's official discount rate could be expected within the next several months.

Mr. Mieno spoke at a regularly scheduled press conference after a two-day meeting of the bank's regional managers, at which concerns about increasing dangers of inflation predominated.

Bank officials at the meeting were implicitly critical of the wait-and-see policy adopted by Mr. Mieno over the last several months, questioning whether medium-term inflationary pressures could be reduced with interest rates at current levels.

Mr. Mieno repeated — "like a Buddhist chant," he said — that his primary focus remained the impact of the last rise in the discount rate, an increase of 1 percentage point in March. But he also acknowledged the branch managers' view, stressing that the bank was paying close attention to the potentially damaging effects of rising wages and land prices.

Mr. Mieno spoke just after Tokyo financial markets had closed. But rumors of an immediate rise in the discount rate, the interest the

central bank charges on loans to commercial banks, had sent the dollar sharply lower and pushed stocks down moderately.

"There was a rumor of another rate increase today," Mr. Mieno said. "But we haven't changed our stance. We are closely watching the situation both inside and outside Japan."

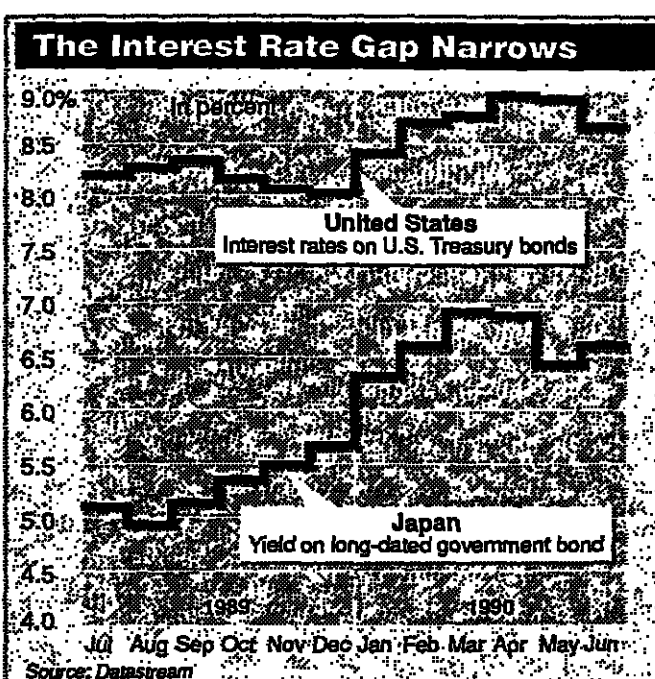
The dollar was also influenced by the clouded outlook for U.S. interest rates. The U.S. Treasury ended here at 147.25, down 0.95 yen from the previous day and 0.60 yen lower than Tuesday's finish in New York.

The Nikkei average of 225 industrial stocks lost 124.17 points in moderate trading, ending the session at 33,048.11. Share analysts said investors were virtually paralyzed by uncertainty over the direction of interest rates in both the United States and Japan.

By almost all standard measures, the threat of inflation in Japan's still strong economy is receding. Figures issued last week showed wholesale prices in June at only 0.9 percent above year-earlier levels, and consumer price inflation stabilized in the second quarter at a year-to-year rate of 2.2 percent.

But that is not the central bank's focus. As regional managers indicated, the fear is that continued rises in land prices and higher wages could lead to a tightening labor market, which in turn could lead to inflation later this year or early in 1991 that is not detectable in national statistics.

The Labor Ministry reported three weeks ago, for instance, that the ratio of job openings to job seekers rose to 1.41 in May, its highest level since 1974. Sharing



these concerns, as well as another about unusually high growth in the Japanese money supply, Mr. Mieno walked a fine line in his comments Wednesday.

"As some branch managers reported, wage increases will be reflected in prices, not across the board but to some extent," Mr. Mieno said. "And while land prices in the worst-hit areas in the past are improving, those in other cities are rising."

The bank has been worried for some time about an increase in the money supply, which has been difficult to interpret because of a shift in funds from non-bank savings accounts toward banks.

Earlier this year, the broadest measure of money supply grew at an annual rate of 13.2 percent, the highest rate in more than 14 years. The central bank's committee of branch managers, which meets

quarterly, does not have the policy responsibilities of the Federal Reserve Board, but it serves similarly as a mechanism by which the central bank, like the U.S. Federal Reserve Board, can measure the impact of monetary policy on the nation as a whole.

The central bank signaled its willingness to act preemptively against inflationary pressures last month, when it pushed up rates on unsecured overnight call money through commercial paper repurchases and by draining money from credit markets.

The bank's apparent aim, analysts said, is to maintain overnight rates slightly above 7.5 percent, a quarter of a percentage point above the June average, to encourage the year's upward momentum and reduce the chances of an inflationary surge.

Consumer Costs
In U.S. Soared
0.5% in June

Compiled by Our Staff From Dispatches

WASHINGTON — U.S. consumer prices, fueled by sharp increases in food and gasoline costs, shot up 0.5 percent in June, more than double the rate of the past two months, the government said Wednesday.

The unexpectedly steep rise in the Labor Department's Consumer Price Index followed 0.2 percent increases in April and May. Through the first six months of the year, consumer prices rose at an annual rate of 5.9 percent, well above the 4.6 percent for all of 1989.

Analysts, who predicted a more modest rise of 0.3 percent in June, had expected inflation to continue to moderate as prices recovered from the first of the year, after a cold spell sent the costs of fruits, vegetables and energy up.

Robert Dedrick, the chief economist at Northern Trust in Chicago, said the June increase was frustrating to the Federal Reserve Board's efforts to bring inflation under control.

"While inflation isn't really worsening, as this number would suggest, it isn't getting any better," he said. "We've sort of got the worst of both worlds, with a slow economy and a rate of inflation that is firmly entrenched."

In an interview on the Financial News Network, Steven Slifer, a Shearson Lehman Hutton economist, said the report was a "little disquieting."

"Any way you slice it," he said,

"inflation this year seems to be running a little worse than last year."

In a related report issued Wednesday, the government said average weekly earnings after inflation — or the buying power of American workers — remained unchanged in June after advancing 0.2 percent in May.

And the Commerce Department reported that construction of new homes dropped for a fifth consecutive month in June, down 2.3 percent. To the lowest levels since the last recession. Housing starts had declined 0.5 percent in May.

The last time housing starts fell in five consecutive months was in 1981, deep in a recession, when they dropped from July through November.

In testimony Wednesday before the Senate Banking Committee, the chairman of the Federal Reserve, Alan Greenspan, said the Fed's monetary policy had "continued to be directed at sustaining the economic expansion while making progress toward price stability."

Nonetheless, prices for housing surged 0.6 percent in June after gaining 0.2 percent in May. Food and beverage prices shot up 0.7 percent, after inching up 0.1 percent in May, the department said.

Gasoline prices rose 2.5 percent in June after falling 1.6 percent in May.

The Consumer Price Index, in which 100 reflects the price of a basket of goods in 1982, ended June at 129.9. (AP, UPI, Reuters)

Iraq Calls Overshooting
Oil Quota an Act of War

Compiled by Our Staff From Dispatches

BAGHDAD — Iraq warned fellow OPEC members on Wednesday that it viewed violations of the cartel's production quotas as virtual acts of war, and accused tiny Kuwait of stealing its oil for the past decade.

It was the latest instance of bellicose behavior by President Saddam Hussein and marked a sharp escalation in Baghdad's campaign against fellow members of the Organization of Petroleum Exporting Countries that have been producing more oil than allowed by OPEC quotas. Kuwait and the United Arab Emirates have been the main targets of the campaign.

Foreign Minister Tariq Aziz, in a letter to the secretary-general of the Arab League, Cheddi Kibbi, accused Kuwait of stealing \$2.4 billion worth of oil and said it expected Kuwait to repay the money.

"The attempts by the governments of Kuwait and the United Arab Emirates to flood the oil market with extra crude are a premeditated and deliberate plan to weaken Iraq and undermine its economy and security," he said in the letter.

In Kuwait, the foreign minister, Sheikh Sabah al Ahmad al Jaber al Sabah, said he would immediately visit the leaders of Gulf Arab states to present Kuwait's position. (AP, Reuters)

CURRENCY RATES

Cross Rates	July 18	July 19
Australian dollar	1.53	1.52
British pound	1.65	1.64
Canadian dollar	0.75	0.74
French franc	6.55	6.54
German mark	1.36	1.35
Italian lira	1,375	1,370
Japanese yen	163	162
Netherlands guilder	2.20	2.19
New Zealand dollar	0.48	0.47
Portuguese escudo	200	198
Spanish peseta	166	165
Swiss franc	1.48	1.47
Taiwan dollar	2.45	2.44
Thai baht	5.5	5.4
West German mark	1.36	1.35
Yen	163	162

Other Dollar Values	July 18	July 19
Australian dollar	0.64	0.63
British pound	0.69	0.68
Canadian dollar	0.30	0.29
French franc	0.26	0.25
German mark	0.52	0.51
Italian lira	56.5	56.0
Japanese yen	0.006	0.006
Netherlands guilder	0.36	0.35
New Zealand dollar	0.18	0.17
Portuguese escudo	20.0	19.8
Spanish peseta	16.6	16.5
Swiss franc	0.68	0.67
Taiwan dollar	0.10	0.09
Thai baht	0.02	0.02
West German mark	0.52	0.51
Yen	0.006	0.006

Forward Rates	30-day	60-day	90-day	180-day
British pound	1.65	1.64	1.63	1.62
French franc	6.55	6.54	6.53	6.52
German mark	1.36	1.35	1.34	1.33
Italian lira	1,375	1,370	1,365	1,360
Japanese yen	163	162	161	160
Netherlands guilder	2.20	2.19	2.18	2.17
New Zealand dollar	0.48	0.47	0.46	0.45
Portuguese escudo	200	198	196	194
Spanish peseta	166	165	164	163
Swiss franc	1.48	1.47	1.46	1.45
Taiwan dollar	2.45	2.44	2.43	2.42
Thai baht	5.5	5.4	5.3	5.2
West German mark	1.36	1.35	1.34	1.33
Yen	163	162	161	160

INTEREST RATES

Eurocurrency Deposits	July 18	July 19
1 month	8.5%	8.5%
3 months	8.5%	8.5%
6 months	8.5%	8.5%
1 year	8.5%	8.5%

Key Money Rates	July 18	July 19
3-month Treasury bill	7.5%	7.5%
6-month Treasury bill	7.5%	7.5%
9-month Treasury bill	7.5%	7.5%
1-year Treasury bill	7.5%	7.5%
3-month commercial paper	7.5%	7.5%
6-month commercial paper	7.5%	7.5%
9-month commercial paper	7.5%	7.5%
1-year commercial paper	7.5%	7.5%

U.S. Money Market Funds	July 18	July 19
Mutual Shares	11.32	11.32
30-day average yield	7.5%	7.5%
Treasury bill index	1,375	1,370
Source: Merrill Lynch, Pierce, Fenner & Smith		

GOLD

Gold	July 18	July 19
Spot	329.25	329.25
1 month	329.25	329.25
3 months	329.25	329.25
6 months	329.25	329.25
1 year	329.25	329.25

EC Launches Inquiry
Into State-Aid Projects

The Associated Press

BRUSSELS — The EC Commission Wednesday opened investigations into several instances of state aid to industries that could violate rules of competition.

The inquiries concern aid given to industries by the Belgian, Spanish, French and Italian governments.

The Commission was looking into a Belgian government aid package of 118.58 million Belgian francs (\$3.45 million) to the chemical company Solvay & Co.

It was also looking at two separate state aid issues made through the Patrimonio del Estado branch of the Spanish Treasury.

The Spanish state-owned textile manufacturer Hysasa SA, now being sold to the public, issued shares to raise over 7.1 billion pesetas (\$71 million), while the footwear and leather goods maker Impiel SA,

also just privatized, issued shares to raise 2.7 billion pesetas.

French government aid to the glass-maker Compagnie de Saint-Gobain of 32 million French francs (\$5.8 million) is also being investigated. Saint-Gobain used the money to build a production unit.

The Commission also announced an investigation into the Italian paper and forestry sector. It noted that it had already criticized the taxes imposed by the Italian government on imported paper and forestry products.

In a separate development, the Commission said it had ended investigations into state aid to three companies.

It ruled that a 10-year electricity contract between the French state-owned Electricite de France and the specialty metals maker Groupe Usinor-Sacilor did not distort competition.

German Unity's Worst Threat Is to Jobs

Konrad Wetzker is chief of East Germany's largest economic institute, which formerly operated largely as an arm of the state planning commission. Like many East German government units, it is cutting back its staff and venturing into the private sector with hopes to operate along the lines of a Western think tank. He spoke recently with Richard E. Smith of the International Herald Tribune.

Q. Monetary union so far seems to be going smoothly. What do you see as the largest problem?

A. Unemployment is the major danger, but we estimate that it will peak between 500,000 and one million and then begin to improve in the course of next year.

Q. Many analysts are estimating between one and three million people. Why are you so optimistic?

A. The government cannot stand still when unemployment approaches one million. For the sake of social stability, it could launch

temporary employment programs in the public sector and add new incentives for the private sector if necessary. There are many possibilities to employ people in the restructuring and improvement of telecommunications, transport and energy.

It is also not in the interest of politicians to have too many unemployed before the national elections in December.

Q. Is Western industry investing enough to create new jobs?

A. So far hardly anything has been actually invested. There have only been agreements in principle and declarations of intention.

But things will change now that we have the Deutsche mark. Investors know what they're spending and have an idea what they will be getting in return.

Also the question of property has been basically settled in state treaties so that from now on it is only a technical question of working out the details.

Q. Is the situation stable enough for small as well as large companies from the West to invest?

A. The two major points of insecurity were money and property. With both of those largely settled, the way has been prepared for everyone.

There are many openings for small companies in the service industries in particular.

Q. What sectors of East German industry will have the largest problems?

A. Industry branches like textiles, which mass-produced consumer goods, will have trouble competing with Western goods and may nearly disappear.

Machinery makers, on the other hand, will get an infusion of Western high technology and will at the same time have loyal customers in the East bloc. They have long depended on East German machinery with standards and parts, which the West will not be able to soon replace.

Q. How soon will we know which companies are going to survive?

A. At the beginning of September. Most companies will receive bank funds guaranteed by the government to pay for salaries and supplies in July and August. But after that companies must arrange for their own funding.

That is why politicians are talking about a tense autumn.

Q. Your institute is similar to many in the East bloc which did research for state planning commissions. What is your future?

A. In the past, we were fully financed by the government and we did research on projects chosen by the government.

In the future, we hope that about two-thirds of our budget will come from government projects, which is also true of many of the large West German institutes, and the rest we will earn by ourselves.

Holland & Holland: Can Chanel's Shotgun Marriage Work?

By Thomas Grose
Special to the Herald Tribune

LONDON — The Victorian-era factory stands like a bleak warzone in a seedy portion of north London, little changed nearly 100 years after it opened.

Inside the dank, drafty building, the atmosphere is out of Dickens.

Craftsmen and artisans ply their trade amid time- and oil-blackened wood benches and floors, turn-of-the-century machines and coal fires. Only the lack of steam engines and overhead pulleys reminds a visitor that he remains in the 20th century.

The factory is owned by Holland & Holland Ltd., the 156-year-old British sporting gun manufacturer.

From this slow-moving, anachronistic assembly line come what many would describe as the world's finest sporting guns — favored by the wealthy upper crust of the sport-shooting fraternity, from British royalty to American captains of industry to Arab princes.

The guns are sold at premium prices, along with other accoutrements of the hunting and shooting life, 15 miles to the south at the Holland & Holland shop in Mayfair. The gun room, as employees refer to it, is a tweedy affair that

recks of British upper-class country life, of old boys and school ties.

Staid and hushed, it is a setting befitting Holland & Holland's conservative image.

So when Chanel, the French manufacturer of women's scents, clothes and accessories, bought Holland & Holland last July for \$10.9 million (\$18.5 million), the move not only raised eyebrows in the British hunting and shooting community, but turned heads in London's financial district.

The hunting set wondered what a French perfume-maker firm that has supplied firearms to Prince Philip and Prince Charles. Indeed, one board member, Julian Cottrell, resigned in protest, fearing Chanel could not possibly be interested in guns.

Mr. Cottrell formed a consortium to match an earlier Chanel offer of \$8 million, but could not compete when Chanel upped its price.

The City was curious as to why Chanel paid nearly \$11 million for a company with after-tax profits in the fiscal year ending Jan. 31, 1989, of a meager \$400,000.

In a given year, Holland & Holland produces 50 to 60 pairs of its

famous Royal line, 12-gauge shotguns.

The base price is \$25,000 each, but most end up

July 18, 1990

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MARKET DIARY

Dow Backs Away From 3,000 Level

United Press International
NEW YORK — Prices closed lower Tuesday in active trading on the New York Stock Exchange as profit taking and news of surprisingly high consumer prices pulled the Dow Jones industrial average back from the 3,000 level.

The Dow Jones industrial average, which was unchanged Tuesday, fell 18.07 points to 2,981.68. Among broader market gauges, the New York Stock Exchange composite index fell 1.66 to 198.83 and Standard & Poor's 500-stock index fell 3.90 to 364.22. The price of an average share dropped 29 cents.

Declines led advances by about a 9-to-4 ratio. Volume totaled 168.76 million shares, down from 176.79 million shares traded on Tuesday.

Dollar Closes Mixed On Greenspan Remark

Reuters
NEW YORK — The dollar ended mixed Wednesday in New York after volatile trading prompted by the U.S. Federal Reserve chairman's testimony before Congress.

Alan Greenspan's comments before the Senate Banking Committee

caused confusion in the market and the dollar was lower in early trading. But it rose from morning lows in short covering as the market settled on the view that the Fed's central bank was not likely to ease credit in the short term.

The dollar ended at 1.6480 Deutsche marks, a slight rise from 1.6440 at the close on Tuesday, and at 147.55 yen, down from 147.85.

The British pound eased to \$1.8160 from \$1.8165.

The U.S. currency rose to 1.4155 Swiss francs from 1.4045 and to 5.5225 French francs from 5.5150.

Earlier in London, dealers said that the remarks by Mr. Greenspan indicated that there was some possibility of further lowering of interest rates in the United States.

The dollar ended in London at 1.6435 DM, down from 1.6505 at the close on Tuesday, and at 147.45 yen, down from 148.23. It had touched the day's trading low of 1.6360 DM and 146.90 yen after Mr. Greenspan's remarks to the Senate Banking Committee.

The British pound closed at \$1.8140, up from \$1.8085 at Tuesday's close.

The dollar ended at 1.4095 Swiss francs, almost unchanged from 1.4093, and at 5.5225 French francs, down from 5.5365.

Tim Fox, an economist at Midland Montagu, said Mr. Greenspan's comments had not been clear and added, "He seems to adopt a flexible approach."

Masaru Takahashi, an assistant manager at Fuji Bank, said, "I don't think Greenspan is considering cutting federal funds rates further so soon after Friday's easing."

But he said the market had noted that Mr. Greenspan had not dismissed the possibility.

The market opened weaker, taking its cue, analysts said, from the bond market, which was hard hit after a report showing that consumer prices for June jumped 0.5 percent, compared with a 0.3 percent rise that private economists had expected.

The market moved downward on the report and on comments by the Federal Reserve Board chairman, Alan Greenspan, who suggested that further easing of interest rates would be linked to major budget cuts, analysts said.

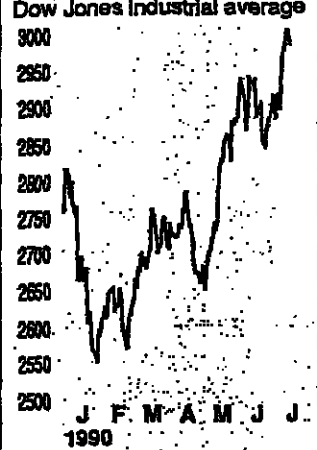
United Telecom was most active, dropping 2 1/4 to close at 27 1/4. The company reported on Tuesday that second-quarter earnings were down 55 percent.

GTE followed, off 3/4 to 27 1/4, continuing to reflect market sentiment about its planned stock-swap merger with ConTel.

Via Associated Press July 18

The Dow

Daily closings of the Dow Jones Industrial average



J F M A M J J A S O N D

1990

NYSE Most Active

Vol. High Low Last Chg.

United 10,240 27 1/4 26 3/4 27 1/4 + 1/4

GTE 10,240 27 1/4 26 3/4 27 1/4 + 1/4

AT&T 10,240 27 1/4 26 3/4 27 1/4 + 1/4

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Microsoft 10,240 27 1/4 26 3/4 27 1/4 + 1/4

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Dow Jones Averages

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Commodities 298

EC Study Urges Pooling In Aerospace Industry

By Barry James

The EC Commission, more committed to trust-busting than encouraging monopolies, called in a report released Wednesday for closer cooperation among European aerospace companies.

It said it would look favorably on cross-border mergers and takeovers even if this meant the concentration of sectors of the industry in the hands of a single company.

The Commission said the fragmented nature of the aerospace industry in Europe, which employs about 500,000 people, impedes its ability to compete with U.S. rivals.

The report suggested the time is ripe for a rethinking of the industry's future because the reduction of tensions in Europe means that aerospace companies must now consider how they can convert to civilian production.

While military manufacturing is funded by governments and entails duplication of effort, civil aerospace development requires pooling of research and development, the report said. The industry is characterized by a small number of suppliers and a large number of powerful customers, which are able to exert a strong downward pressure on prices, it added.

A spokesman for Martin Bagemann, the commissioner for industry and sponsor of the report, said that if European aerospace companies fail to establish closer links, "they will be the losers, because none of them is strong enough to provide the necessary R&D funding or the necessary industrial base."

The spokesman, Willy Helin, said the Commission is not trying to discourage competition, but, on the contrary, it wants EC companies to be more capable of competing against strong rivals in the global market.

The report said that by pooling resources, the European companies would be able to expand their product lines and achieve economies of scale. It estimated that it costs 40 percent less to produce an aircraft in a production run of 1,000 than in one of 250.

The three major European aerospace companies — British Aerospace PLC, Aerospatiale of France and Messerschmitt-Bölkow-Blohm GmbH of West Germany — already pool efforts with Construcciones Aeronauticas SA of Spain in the four-nation Airbus consortium.

Airbus Industrie has approximately 20 percent of the world market for medium- and long-haul commercial jets.

The Commission called for similar cooperation among manufacturers of regional and business aircraft, light aircraft and civilian helicopters. These companies are primarily national.

The report, which looks to the establishment of a single market after 1992, will be debated by EC industry ministers at their next meeting Sept. 21.

The report said that pooling resources would allow companies to adopt EC company statutes, simplified tax regimes, common industrial norms and joint certification procedures, enabling them to compete with U.S. rivals.

The U.S. government frequently has alleged that Airbus Industrie is unfairly subsidized. The EC retorts that U.S. airplane manufacturers have long enjoyed Pentagon contracts that indirectly subsidize the building of commercial aircraft.

The Commission estimated that government subsidies to EC aircraft manufacturers totaled \$17.5 billion in 1988, compared with almost \$71 billion in the United States.

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EC Worried Boom Is Tailing Off For Europe's Car Sales

Reuters

TOKYO — A top EC Commission official said Wednesday that he was concerned about a sudden rise in the European Community's trade deficit with Japan in June while the U.S. deficit with Japan continued to narrow.

Simon Nuttall, the commission's director for relations with China, Japan and the Far East, took part this week in EC-Japan discussions aimed at cutting the EC's deficit.

In June, the deficit was \$1.59 billion, up from \$1.53 billion the first widening of the gap after 17 months of contraction.

"We are a little worried about the future," Mr. Nuttall said. "Strong demand will continue in the EC ahead of the single market in 1992. We must keep a close watch on this."

He said the deficit widened because of the weak yen, strong EC demand and the narrow base of EC exports to Japan.

In Monday's EC-Japan talks, EC Commission officials and representatives from Japanese ministries focused on two areas where the EC wants lower tariffs on its exports — leather and leather shoes, and processed food.

Mr. Nuttall said that while EC demands were not met, he was encouraged by Japanese recognition of the EC's need to aid its leather industry.

He said the deficit widened because of the weak yen, strong EC demand and the narrow base of EC exports to Japan.

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Deutsche To Grow In East

Bank Seeks 100% Of Kreditbank

Agence France-Press

FRANKFURT — West Germany's leading private bank said Wednesday that it planned to take 100 percent control of its East German partner by the end of the month.

Deutsche Bank holds a 49 percent stake in Deutsche Bank-Kreditbank, created from the East German state-owned Kreditbank. The rest is owned by Kreditbank and other East German enterprises.

But Deutsche Bank plans to acquire full control of the East German operation "before the end of July" through a capital increase, said a board member, Georg Krupp.

He would not give the value of the capital increase. Deutsche Bank-Kreditbank is capitalized at 300 million Deutsche marks (\$182 million).

Deutsche Bank-Kreditbank began operating July 1, when German economic and monetary union took effect, so if the West German bank manages to move to total control by the end of the month, things will have moved particularly fast.

Mr. Krupp, responsible for Deutsche Bank's East German operations, said the bank already had 65,000 private clients in East Germany and their numbers were increasing at the rate of 5,000 a day.

But while Deutsche Bank is wooing East German depositors, it is not as anxious to welcome the many large businesses there that are weak and in need of loans.

"That is the responsibility of the state," Mr. Krupp said, adding that he feared that state-guaranteed loans to huge East German enterprises would only keep them going for the next three weeks.

West German banks are cautious about lending to huge East German enterprises. But they are showing more confidence in small businesses, to which Deutsche has loaned 600 million DM, Mr. Krupp said.

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Investor's Europe

Frankfurt	London	Paris
Commerzbank	F.T. 100 Index	C.A.C. 40
2500	2550	2200
2400	2500	2100
2300	2450	2000
2200	2400	1900
2100	2350	1800
1990	1990	1990
Exchange	Index	Wednesday
Amsterdam	CBS Trend	121.50
Brussels	Stock Index	6257.23
Frankfurt	Commerzbank	2400.80
Frankfurt	DAX	1965.57
Helsinki	UNITAS	533.80
London	Financial Times 30	1900.60
London	FT-SE 100	2402.00
Madrid	General Index	303.45
Milan	MIB	1089.20
Paris	CAC 40	2029.50
Stockholm	Affarsvarlden	1341.20
Vienna	Stock Index	712.42
Zurich	SBS	690.80

Sources: Reuters, AFP

International Herald Tribune

Pirelli NV Says Sales Fell by 6% in First Half

Reuters

AMSTERDAM — Pirelli Tire Holding NV, the Dutch-registered holding company of Italian tire maker Pirelli, said sales in the first half of 1990 had dropped to 3.15 billion guilders (\$1.8 billion) from 3.35 billion in the same period of the previous year.

The company also said it was expecting markedly lower profits in the first half. First-half profits will be announced in early September.

The 6 percent drop in sales was mainly due to the 10 percent fall of the dollar against the guilder, which eroded the consolidated results of subsidiaries in the Americas, the company said.

In dollar terms, sales in fact rose to \$1.66 billion from \$1.58 billion in the half.

Pirelli is 61.73 percent owned by Italy's Pirelli SpA.

The statement said it expected profits in the second half of 1990 to be better than the first half, and details of the 1990 forecast would be given in September.

It said the effects of cost cuts and positive seasonal factors had improved the outlook for the second half.

There was moderate growth in European sales despite strong competition that led to a general fall in prices, Pirelli said, while in North America both sales and prices were down.

Brazilian sales started the year well, but suffered temporarily from the nation's economic policy before returning to a normal level of growth at the beginning of June, the company said.

As a result of all these factors, Pirelli said it was expecting profit for the first half of this year to be considerably lower than the same period last year.

Last year's interim net profit was 102.1 million guilders.

EC Panel Adopts Plan To Open Up Insurance

Reuters

BRUSSELS — The EC Commission adopted Wednesday a proposal that would open the insurance market in the European Community, excluding life insurance, to greater competition after 1992.

Sir Leon Brittan, the commissioner for financial services, said the proposal, if approved by the 12 member nations, could mean lower prices to consumers although this might not happen in specific markets. The plan abolishes the right of national authorities to approve premium scales and policy conditions.

The report said that pooling resources would allow companies to adopt EC company statutes, simplified tax regimes, common industrial norms and joint certification procedures, enabling them to compete with U.S. rivals.

The U.S. government frequently has alleged that Airbus Industrie is unfairly subsidized. The EC retorts that U.S. airplane manufacturers have long enjoyed Pentagon contracts that indirectly subsidize the building of commercial aircraft.

The Commission estimated that government subsidies to EC aircraft manufacturers totaled \$17.5 billion in 1988, compared with almost \$71 billion in the United States.

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COMPANY RESULTS

Revenue and profits or losses, in millions, are in local currencies unless otherwise indicated.

United States

Aluminum (N

NASDAQ

Wednesday's Prices
NASDAQ prices as of 4 p.m. New York time.
This list compiled by the AP, consists of the 1,000 most traded securities in terms of dollar value. It is updated twice a year.

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項目	單位	數量	金額	備註
一、基本建設費				
1. 房屋建築費	元	100.00	100.00	
2. 機器設備費	元	50.00	50.00	
3. 運輸費	元	20.00	20.00	
4. 其他費	元	10.00	10.00	
二、生產費				
1. 材料費	元	300.00	300.00	
2. 工資	元	200.00	200.00	
3. 燃料費	元	100.00	100.00	
4. 電力費	元	50.00	50.00	
5. 其他費	元	20.00	20.00	
三、銷售費				
1. 運費	元	10.00	10.00	
2. 其他費	元	5.00	5.00	
四、管理費				
1. 工資	元	100.00	100.00	
2. 福利費	元	20.00	20.00	
3. 其他費	元	10.00	10.00	
五、財務費				
1. 利息	元	5.00	5.00	
2. 其他費	元	2.00	2.00	
六、其他費				
1. 稅收	元	10.00	10.00	
2. 其他費	元	5.00	5.00	
合計				

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Finland F.M.	2,600	1,456	1,400
France F.F.	1,600	928	890
Germany (East) D.M.	400	224	220
—hard delivery D.M.	750	420	390
Greece (East) £	120	68	82
Greece (East) Dr.	33,000	18,900	18,000
—hard delivery Athens Dr.	41,000	23,000	23,000
Ireland Irl.	155	85	85
Italy Lit.	400,000	231,000	231,000
Luxembourg L.Fr.	11,000	6,200	6,000
Netherlands Fl.	600	340	340
Norway (East) N.Kr.	2,250	1,270	1,200
—hard delivery N.Kr.	2,700	1,480	1,480
Portugal Esc.	31,000	17,000	17,000
Spain (East) Ptas.	35,000	19,200	19,200
—hard delivery Barcelona, Bilbao, Seville Ptas.	36,000	20,000	20,000
—hard delivery Madrid Ptas.	51,600	25,740	25,740
Sweden (East) S.Kr.	2,200	1,210	1,210
—hard delivery S.Kr.	2,800	1,540	1,540
Switzerland S.Fr.	500	275	275
Rest of Europe, North Africa, former French Africa, Middle East \$	500	275	275
Rest of Africa, Gulf States, Asia \$	600	355	355
Central/Asia Americas \$	600	330	330

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AMEX

Wednesday's Closing
Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere. Via The Associated Press

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Yr	Month	Stock	DRY	YML	PE	NO. HOPS	Low	PAN	CD
1934	12	Edison							
1935	12	Edison	2.60	12.7		40	19	18	12
1936	12	Edison				60	20	20	12
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SINGAPORE

Banking Linked to Economic Expansion

More than any other aspect of Singapore society, the world of banking and finance has changed beyond recognition in the last quarter century.

On the eve of independence in 1965, Singapore had a minuscule economic base compared with today's. Banking was elementary and had progressed little beyond the basic system installed by the British. Merchant banking was concerned primarily with providing short-term loans to small trading companies so that they could purchase goods to

long-term funds at low interest rates for industrial development. Within 18 months, DBS has devoted over a quarter of a billion dollars to nearly 100 industrial ventures. This kicked off Singapore's first great manufacturing boom.

Later in 1968, Singapore became the headquarters of the fledgling Asian Dollar Market (ADM), established as both a depository and disseminator of investment money in the region.

Even after the first few years, the amount circulating in the ADM was still very small, only about \$30 million. Yet the government did not throw in the towel: It kept pushing the concept and eventually succeeded. Today, ADM is worth more than \$340 billion. It grew by more than 20 percent last year on the basis of increased volume of lending and deposits to institutions outside Singapore.

"Way back, the government realized that Singapore on its own is really very small, and, therefore, potential is somewhat limited if the financial services sector for industry is to grow," says Fock Siew Wah of OUB. "One has to give credit to the government. They had the initiative to realize the regional market potential for starting the Asian Dollar Market and for having the energy and dedication to further actively develop the market over the years."

The precedent set by DBS and the establishment of the Asian Dollar Market opened up the doors for the growth of private banks in Singapore. At the time of independence, there were no more than 35 or 40 banks. Now there are 137 banks alone, plus hundreds of financial support companies.

Since independence, Singapore's gross domestic product has soared from \$2.2 billion to \$30 billion. The financial and business services industry has contributed a whopping 29 percent to that GDP growth.

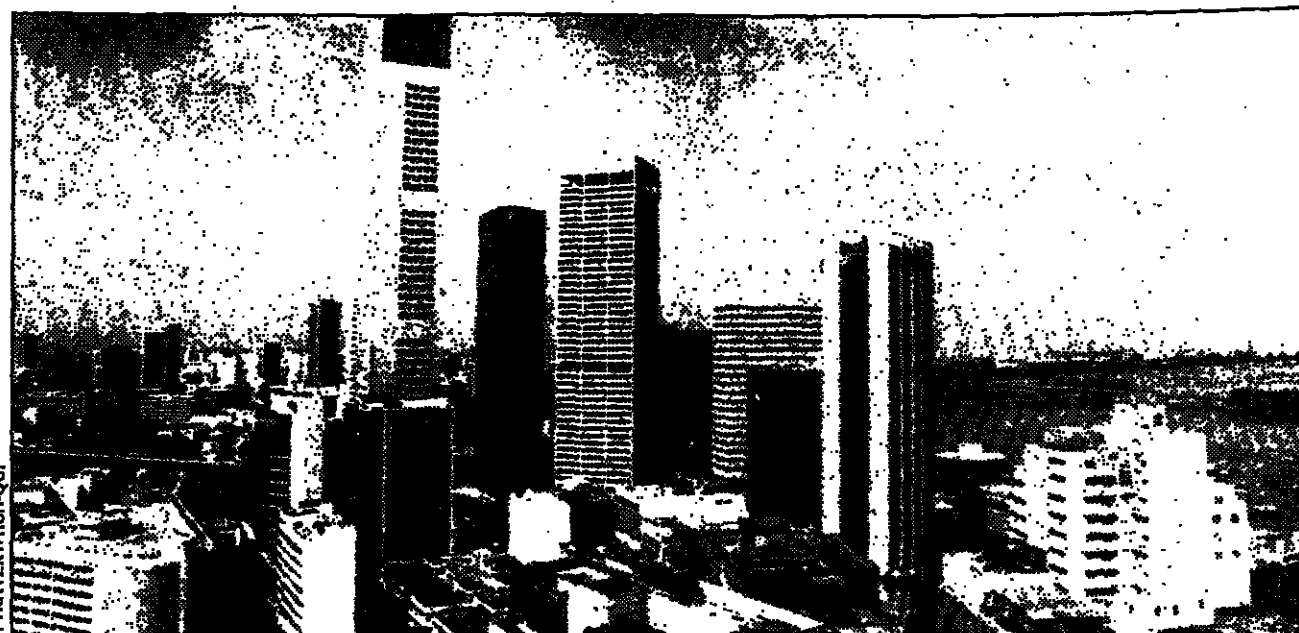
Back in 1965, the financial sector represented a mere 4 percent of GDP; by 1969 that share had risen to 13.4 percent.

"Our rapid economic growth wouldn't have been possible," says Fock Siew Wah. "You realize that business would not have grown the way it has over the years if not for the fact that banking has developed alongside, providing the necessary expertise and financing."

Once manufacturing took over from trade in the early 1970s, financing requirements shifted from purely short-term to medium- and long-term in order to fund business projects with a longer gestation period. Banks became responsible for the financing of the entire industrial process, from building factories and buying raw materials to the distribution of finished products.

By the late 1980s, when Singapore experienced its second great industrial boom, the banking sector had evolved all the infrastructural supports essential for the development of a truly international financial center. These included numerous offshore banks, fund management services, a financial future market called SIMEX, a large foreign exchange market, a gold market, the Singapore Government Securities Market (SGSM) and the highly successful Stock Exchange of Singapore (SES).

Perhaps the enormous growth and increasingly high-tech nature of the Singapore Stock Exchange is the best example of how the financial sector has evolved over the last 25 years. In 1965, the exchange was situated in the old Clifford Center. Brokers posted bids and offered quotes on a huge chalkboard at the front of the trading room. The local body did not split from the old Stock Exchange of Malaysia and Singapore until 1973.



The banking and financial sector's skyline has evolved as dramatically as its economy.

In July 1988, a partially computerized system was used on the old trading floor for primary trading business. But a revolutionary high-tech Central Limit Order Book System (CLOBS) was implemented for secondary trading. CLOBS matches and executes share transactions via computer while simultaneously time-stamping and storing details.

"We had both systems running at the same time, side by side," says Peter Chia, public affairs manager of the stock exchange. "Brokers could see which was more efficient. In fact, it was the brokers who pushed the exchange for a fully computerized system. So in a sense, the innovation was customer driven."

Within seven months of its introduction (March 1989), CLOBS took over completely from the 300 "trade boys" who scurried around the floor buying and selling stocks. Singapore became the first fully computerized, "floorless" stock exchange in Asia. The old trading room was taken over by the SIMEX, and the stock market moved to ultramodern headquarters in the UOB Building in Raffles Place.

The previous maximum trade volume was 85 million shares per day. Since CLOBS came into operation, volume has increased to 120 million shares per day. Earlier this year, it rose to 240 million shares per day.

"Trading 240 million shares was almost physically impossible before," says Chia.

Three interrelated factors point to continued sharp growth in the banking and finance sector. Singapore has a stable government that is dedicated to free trade, pro-business in outlook and committed to providing a conducive environment for businesses to thrive in. At the same time, more multinational corporations continue to relocate their manufacturing operations and regional operational headquarters to Singapore. The economy of East Asia as a whole continues to boom beyond all expectations, and intra-regional investment flows are increasing at a rapid rate.

"The local banks, including the UOB Group, have all along supported the government's economic plans," says Wee Cho Yaw of UOB. "Our future role will continue to be

based on this fundamental principle of supporting and complementing the government's growth strategies. As Singapore moves into more high-tech industries as well as service industries, the banks will have to expand their business in these two areas. At the same time, in conjunction with the government's global strategies, Singapore banks will be extending their overseas business, both in terms of setting up overseas offices as well as more active participation in the money markets," he says.

The government decided in late June to raise the ceiling on foreign ownership of local banks to 40 percent. Bankers welcomed this move, saying it would bring greater liquidity to the stock market.

"I see the future to be a bright one," says Fock Siew Wah of OUB. "I think the financial sector here will continue to grow in a very positive manner. It will certainly become a lot more sophisticated. It will certainly be able to do a lot more complex transactions that will meet the requirements of clients as they come up."



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SINGAPORE CHANGI AIRPORT

A QUARTER CENTURY OF BANKING & FINANCE

Fueling the Foreign Investment Rush

In the mid-1960s, Britain had a veritable monopoly on foreign investment in Singapore. Japan was busy rebuilding its own economy; the United States was investing elsewhere.

The largest overseas investor at that time was Shell, the Anglo-Dutch oil giant that had realized the vast potential of Singapore back in 1891 when

(US\$866 million) was directly invested in the Singapore economy by overseas interests. Of that, Japan contributed \$541 million (28 percent) and the U.S. \$520 million (27 percent).

Electronics: lion's share of investment

it established a kerosene depot on Bukom island to supply the gas lamps of British Malaya. By 1965, this tank farm had grown into the largest petrochemical complex in Southeast Asia.

Twenty-five years after independence, Shell and the British are still influential in Singapore. But their financial contribution has been transcended by that of the Americans and the Japanese. Last year, \$1.6 billion

It is not hard to figure out why foreign money is pouring into Singapore: the island republic offers a remarkable return on investment.

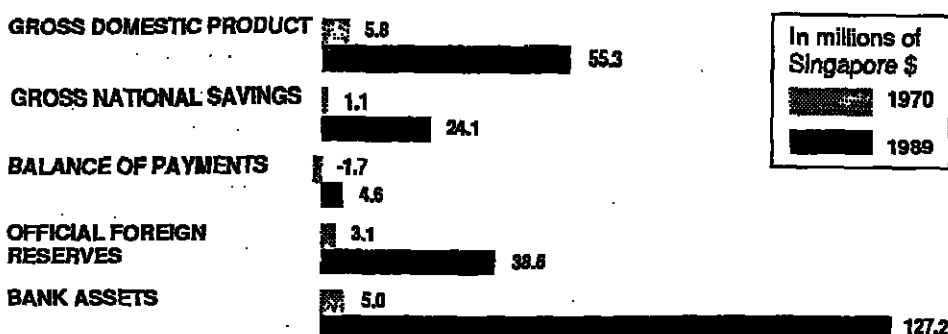
The U.S. government says that Singapore is the most profitable place in Asia for U.S. firms, and the third most lucrative in the world. Commerce Department data released in April show that every U.S. manufacturing dollar invested in Singapore pays a dividend of 40.5 cents, compared to 29.8 cents in South Korea, 27.1 cents in Hong Kong,

24.8 cents in Taiwan and 19.9 cents in Japan. Cumulative foreign investment in Singapore totaled \$22.7 billion at the end of 1989. The United States tops the table of all-time investors with \$5.7 billion, followed by Japan (\$4.1 billion), Britain (\$3.8 billion) and Holland (\$1.6 billion).

Petrochemicals are still an important mode of foreign funding, but they no longer dominate the Singapore economy. The current trend, following a strategy devised by the Economic Development Board (EDB), is toward a

FINANCIAL SINGAPORE, THEN AND NOW

Within the last two decades, the establishment of new banks and the restructuring of the financial sector, coupled with the development of business, have led to Singapore's incredible economic growth.



Source: Ministry of Trade & Industry

diverse range of manufacturing investments.

Carnation, Nestlé and Nabisco are making food products in Singapore. Bethlehem Steel turns out offshore oil rigs; Hitachi builds ships. General Electric and Pratt & Whitney produce turbofan aircraft engines or components. Black and Decker makes household appliances.

Despite the diversification drive, the electronics industry claimed the lion's share of foreign investment (\$943 million in 1988). Thomson Consumer

Electronics of France already makes audio, video and television equipment on the island and has a new \$150 million joint venture with Toshiba to produce one million integrated VCRs a year. Compaq Computers will invest a further \$150 million in its Singapore operations by the end of 1991. Du Pont recently announced plans to invest \$2 billion in Singapore operations over the next decade, which will transform the island republic into the company's regional manufacturing and distribution center.

Esso is set to pump \$1.1 billion into new ventures over the next 10 years, while Caltex has set aside \$200 million for Singapore projects. Shell is developing a \$480 million long-residue catalytic cracker facility, and Mobil will invest \$200 million in a medium-pressure hydrocracker plant.

BASF has also earmarked Singapore as its regional base. The West German chemical giant is finalizing plans to invest up to \$112 million in a regional headquarters. Another new chemical company presence is Kuraha of Japan, which is building a \$360 million plastics factory on Pulau Ayer Merbau island as part of a joint venture with Rohm & Haas chemicals of the U.S.

According to EDB Chairman Philip Yeo, Singapore is most interested in attracting "investments that can generate a high standard of living and challenging jobs."

The EDB will also try to maintain the balance in funding sources, with equal proportions coming from the United States, Japan and Europe.

This advertising section was written by Joe Yogerst, a Hong Kong-based free-lance writer.

The next installment in the series of advertising sections on Singapore will appear on August 9 and will focus on urban planning.



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Property: The Expensive Price of Independence

"Who would ever have dreamed 25 years ago of paying \$32.5 million (US\$1.35 million) for an apartment? But today, it's done just like that," says Edmund Tie, managing director of Jones Lang Wootton, "without batting an eyelash."

Mr. Tie is in a good position to judge the progress of the Singapore property market since the republic's independence. He broke into the real estate business in 1965, and over the years has risen to a managerial position in one of the nation's largest commercial and residential property firms.

"Back in the early 1960s, there wasn't a property market as we know it today," recalls Mr. Tie. "It was very much driven by local end-user requirements. People built primarily for their own occupation."

Not even a crystal ball could have predicted the phenomenal growth — and worrisome ups and downs — that Singapore property has seen over the last 25 years.

Prices are the best barometer of how dramatically the situation has changed. In the late 1960s, the highest rental for prime commercial office space was \$81.80 per square foot. Today, the asking price is \$512-13 per square foot.

During the time immediately following independence, terraced houses and semi-detached homes sold for \$30,000 to \$50,000. Today, the average price is \$450,000 to \$800,000 for terraced houses and \$750,000 to \$1 million for a semi-detached home.

A new factor in the commercial market is Singapore's widespread rede-

velopment of historic buildings such as shophouses. Originally, these buildings combined the workplace, on the ground floor, with the family living quarters upstairs. Refurbished shophouses are being snapped up quickly by small firms that view them as pleasant places of employment as well as good long-term investments. They are especially popular with creative businesses such as advertising, marketing, public relations and photography companies, as well as art and antique galleries.

The vast majority of the population lived in old-style shophouses or in "kampong" villages before independence was

declared. One of the young government's first priorities was to create affordable public housing. Huge new towns built by the Housing Development Board (HDB) began to replace the shophouses and kampongs. Then, in the 1970s, Singapore's first economic boom ushered in the era of high-rise condominium living.

"With a more affluent society," says Mr. Tie, "expectations were obviously higher. So the question of residential property investments came into being."

The domestic market also took a downturn during the recession, but rebounded strongly in the

late 1980s. Low interest rates, attractive housing loan terms and the fact that people could utilize their Central Provident Fund (CPF) to purchase homes, contributed to the speedy recovery. Over 70 percent of Singaporeans now own their own homes — one of the world's highest rates.



Edmund Tie of Jones Lang Wootton.

How BMW set a track record in Southeast Asia

Sime Darby, Southeast Asia's largest multinational company, reports on this successful partnership and on what they can offer your company too.

BMW has clearly established its leadership throughout Southeast Asia.

With Sime Darby, the ultimate driving machine has found a partner that is as concerned with quality as it is with profitable performance.

Sime Darby believes Malaysia offers an ideal manufacturing base in the Asia Pacific region.

Take a holiday from taxes

The Malaysian Government welcomes foreign investment and offers many incentives including a tax holiday for five to ten years.

More and more companies are setting up operations in the country. Why? Natural resources are ample and skilled labour starts from US\$70 an hour. The infrastructure is well-developed with excellent communications and reliable, efficient transport.

Record-breaking performance

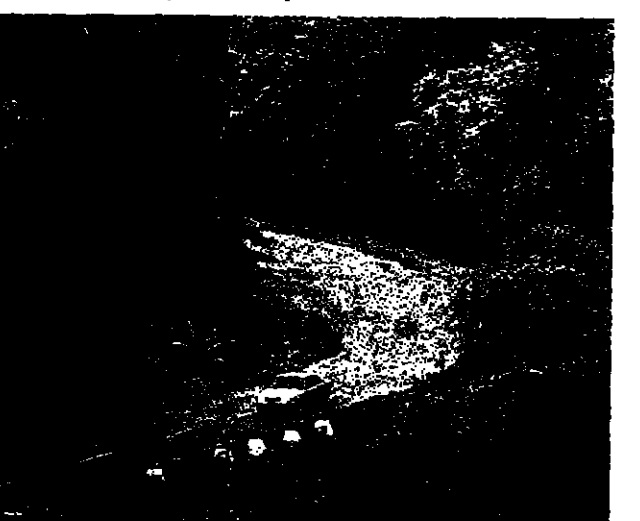
Sime Darby knows how to set the pace too. The last financial year ended with a show of record-breaking results. A success only made possible by the Group's corporate philosophy of honest, hard work with strength through diversity.

For 80 years, Sime Darby has set high standards of efficiency and integrity over a wide range of activities. From plantations to property development,

insurance and trading to manufacturing.

Successful partnerships

BMW is only one of many profitable partnerships with European and U.S. companies. In Malaysia, successful partnerships include established names like Berger, H & R Johnson, Shell, Michelin, and Caterpillar.



Other ventures in Singapore, Philippines, Hong Kong and Australia include motor distribution, trading, packaging, furniture, tyres, electrical and mechanical systems for buildings.

Tap into growing markets

Intra-regional trade is expanding rapidly to satisfy the increasingly affluent markets of the region.

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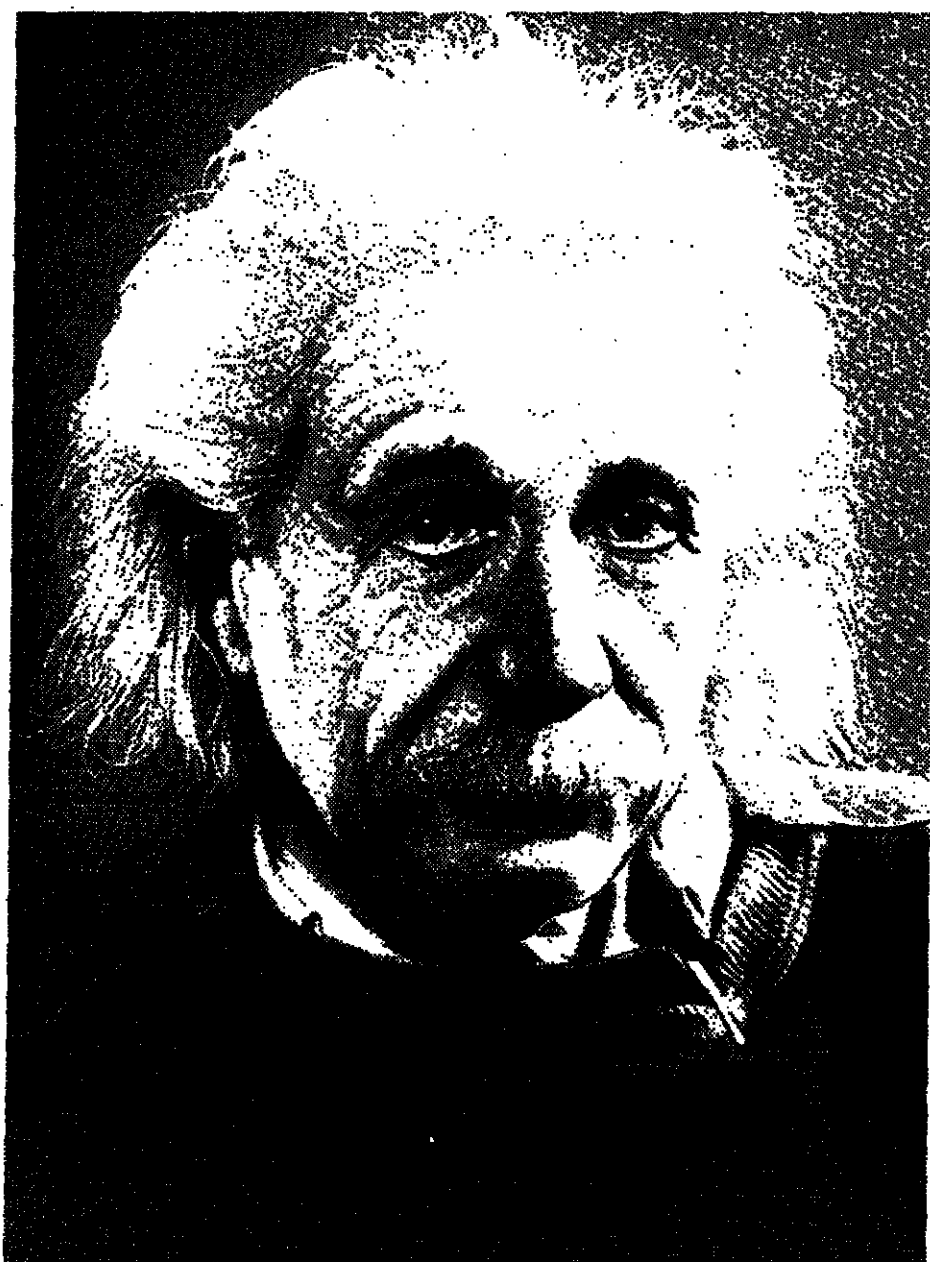
Events

National Day Light-Up
From July 14, Orchard Road comes alive each night with millions of lights and lively decorations to mark the 25th anniversary celebrations.

National Day
August 9. Island-wide festivities to mark the birth of Singapore in 1965. A colorful parade and pageant will take place on the Padang, a huge cricket ground in front of City Hall. The 1990 parade will have a military accent, including a flyover by Singapore Armed Forces jets and helicopters.

Festival of the Hungry Ghosts
From August 20, Buddhists believe that the souls of the dead roam the earth during the seven lunar months. This festival is meant to appease them via offerings of food, paper money and joss sticks. Lavish Chinese opera productions will be staged at various markets and food centers.

25th Anniversary Show
August 25. A quarter century of nationhood will be marked by this spectacular laser and fireworks show at the National Stadium. Designed by the same people who organized the opening and closing ceremonies of the 1984 Los Angeles Olympics, this show will feature eight segments on the "culture, progress and determination" of Singapore.



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Einstein's determination to break new ground propelled mankind into the modern age.

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is now a science. And one company is the nucleus.

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SPORTS

Lofty Title? Big Money? Yes, but Calcavecchia Hasn't Changed

By Sally Jenkins

Washington Post Service

ST. ANDREWS, Scotland — As the holder of the 1989 British Open title, Mark Calcavecchia has added several numerals to his bank account, slapped an expensive watch on his wrist and stuck some silk wallpaper in his new house. But there is just so much cleaning up he will stand for, and nobody can pry the worn sneakers off his feet or straighten his slouching posture.

There is a part of Calcavecchia that still wants to dress in a beer cap and talk like a welder, vestiges of the guy who stayed in motel dives for five years while he bounced on and off the golf tour, from 1981 to 1985, before he finally established himself. His playoff victory at Royal Troon last year for his first major championship represented an incongruous marriage between the old and the new, and the old and the new of the sport's younger and rougher-necked loudmouths.

A year as a major champion has added luster to his name, but no pretensions. "It hasn't changed me," he said. "It's changed a little bit of my life, but it hasn't changed me inside, or the way I dress on an airplane. I mean I wore my sneakers and my jeans and my shirt, I'm not going to put on a jacket and a tie just to fly over here."

"What it's done is bumped me up in the world of golf, and that's where I'm looking to go."

Calcavecchia, 30, is from West Palm Beach, Florida, and is cheerfully vulgar and immensely wealthy. The title lifted his fee for appearances into six figures and gave him a handful of lucrative contracts. He has not hesitated to spend freely, recently completing a \$2 million house in Phoenix. The only thing he has not acquired since the British Open of 1989 are a lofty new personality and another victory, with six frustrating second places this season.

Calcavecchia was leaning out of his hotel window at St. Andrews, where he will attempt to defend his title beginning on Thursday, when one of those loudmouth impulses struck him. As he watched a well-groomed cadre of Ben Crenshaw, Paul Azinger and Payne Stewart practicing on a green beneath him, what Calcavecchia wanted to do was hold his silver British Open trophy out the window and bellow down, "Hey, is this what you boys are after?"

He stopped himself just in time, saying it had been "a bad thought."

It was part of the same streak that caused him to appear at St. Andrews only Tuesday morning, casually late and jet-

lagged. The par-72 Old Course is said to require knowledge to score well, and Calcavecchia has shot exactly eight rounds on it in his life. That does not matter, however.

'What it's done is bumped me up in the world of golf, and that's where I'm looking to go.'

Mark Calcavecchia, 1989 British Open winner

to a player who thinks he could get around in even par with a baseball bat. He is just mildly impressed by the place. "I sort of chuckled to myself and said, 'Hey, this is neat,'" he said. His stature as a defending champion has not imbued him with a gentlemanliness or made him any more interested in the exalted ancient lore of the game.

What he is really into is hitting those "murdered" drives and "real juicers" into

the greens. His 1989 title, coming from behind to win a playoff over Greg Norman and Wayne Grady, merely legitimized his status as a major player. He is also a popular, watchable one, routinely among the longest and most aggressive hitters on the tour, who averages 272 yards (248 meters) off the tee and currently leads the U.S. PGA Tour in birdies.

When Calcavecchia added the prestige of a major champion to the natural charisma of his game, he was a prime candidate for every kind of endorsement. He immediately received an offer of \$125,000 to play an event in Japan. In the ensuing months he signed a deal worth \$400,000 to use eight Tommy Armour Clubs for three years and another short-term visor and watch agreement with Ebel. More recently, he received \$100,000 guarantees just to show up at the Irish and Dutch Opens.

The steady flow of money into his bank account has not ceased to amaze him. He told his wife, Sheryl, who caddies part time for him, "Who are we to say no?" But it has also given him some uncomfortable moments, like when he flew to the Irish Open knowing he wasn't playing well, just hoping to make the cut and not incur the wrath of organizers who paid such a large fee for his appearance. He finished second.

"I wouldn't pay me that kind of money," he said. "The fact that people pay me all this money just to show up and play golf is still a little beyond me."

The financial compensation has only in part made up for a vaguely unsatisfying year competitively. His six runner-up finishes all have come in different ways. At the Doral Open he bogeyed the 18th hole to lose to Greg Norman in an eventual playoff. At the Honda Classic he threw up on the 16th hole to lose to John Huston by two strokes. He lost the Players Open to Jodie Mudd by a stroke. His most frustrating moment came at the Hartford Open, when, he said, "I flat blew it." He lost a two-stroke lead with two holes to go as he double bogeyed the 17th by hitting his approach shot into a lake.

The losses have been compounded by nagging physical problems, like a broken little toe, which he sustained by tripping in his new jacuzzi. He had to wear an open-toed shoe for a few weeks, then he partly dislocated his shoulder.

Finally, he is well again. So he arrived at St. Andrews with the conclusion that he is rich, healthy and largely happy. There is just one thing.

"I'd give back every cent to win it again," he said.



A cool Mark Calcavecchia munching a sandwich during practice.

Boxer Wins on Knockout, But Who Was the Loser?

The Associated Press

PENSACOLA, Florida — Roy Jones Jr., a 1988 Olympic silver medalist, thought that he had knocked out the Texas junior middleweight boxing champion in the first round of a fight here. Now he doesn't know what to think.

Investigations began Tuesday into allegations that the boxer who Jones fought on Saturday was not the man he said he was.

Jones, in his ninth professional bout, scored a first-round knockout over someone who claimed to be Derwin Richards, the Texas junior middleweight champ.

"I was definitely not there," Richards, a security guard at a Houston correctional facility, said in an interview published in Tuesday's editions of the Pensacola News Journal. "I would like to fight Roy Jones, but that wasn't me fighting."

Richards' manager, Willie Savannah, confirmed that.

Stanley Levin, president of Square Ring Inc., a Pensacola company that promoted the fight, said he had turned over all records of the fight to a state prosecutor, Curtis Golden.

"I hope the people involved in this spend a long time in jail," Levin said, adding that the "young man" who fought Jones "could have really been hurt."

Golden said he was trying to determine whether there had been fraud involved and whether the fight violated the state's law on pugilistic exhibitions, including a provision that requires participants to be licensed by the state.

Jones knocked out the mystery opponent 2:02 into the first round. He entered the fight with an 8-0 record, all by knockouts.

At the Seoul Olympics, Jones lost on a controversial decision in the 156-pound (70-kilogram) gold medal bout to Park Si Hui of South Korea. Jones was named the top fighter of the 1988 Olympics.



Bernhard Langer of West Germany shooting out of a bunker on Wednesday during a practice round on the Old Course at St. Andrews.

Playing St. Andrews: To Each His Own Way

ST. ANDREWS, Scotland — The top golfers agree that the famous Old Course of St. Andrews is in fabulous shape for the start of the British Open on Thursday. What they disagree on is how to play it.

"I have a tendency to play it right because it gives you a better shot to the green," said Greg Norman of Australia.

Seve Ballesteros of Spain, the champion here in 1984, disagreed. "It is probably the only course in the world where you have to play left," he said. "That's how I played last time and I am going to try to play the same way as I did in 1984."

Norman runs the greater risk of driving into trouble off the tee, but is willing to take that chance to get closer to the pin with his approach.

Ballesteros would rather ensure he misses the fairway bunkers, which can leave no chance of reaching the green. (See Scoreboard)

Tom Kite of the United States occupies the middle ground.

"This is a forgiving course from the tee," he said. "You are given tremendous width. Any time you give the top players in the world 80 yards to shoot at, they are going to hit it."

He was referring to the fact that, with the holes side by side, playing to the adjacent fairway would still afford a shot to the green.

Whatever the players' philosophy, their decisions will be largely dictated by the wind — if there is any — and by the pin positions.

A warm, windless weather front appears to have settled over St. Andrews in the last few days. And the pin positions are certain to be different — and tougher — than in practice rounds.

"They have a lot of scope for that," said Nick Faldo of Britain. "They can make them as tough as they like."

Added to that, the course is green after intermittent rain over the last month and a downpour on Sunday. But it is rapidly hardening up after three days of sunshine.

"The course is great, the best I have ever seen it," said Norman.

Ballesteros agreed. "It is in perfect condition, playing long," he said. "It is fine for me as it is now."

BOOKS

THE LEGACY OF CHERNOBYL

By Zhores A. Medvedev. 352 pages. \$24.95. W. W. Norton & Co., 500 Fifth Avenue, New York, N. Y. 10110.

Reviewed by Joseph S. Nye Jr.

SHORTLY after 1 A.M. on April 26, 1986, Leonid Toptunov, a young, tired and inexperienced reactor operator conducting a safety test, moved the control rods of Chernobyl Reactor No. 4 to only slightly below the correct position. Thirty-six seconds later, he pushed the special panic button for emergency shutdown of the reactor, but it was already too late.

Twenty seconds later, there was a steam explosion, followed by a hydrogen explosion that spewed out part of the reactor's red-hot contents and ignited a graphite fire that lasted for 10 days. A full meltdown of the core was barely averted.

Three weeks later, Toptunov died in great pain from the radiation. Fortunately, only about 5 percent of the reactor's inventory of radioactive materials was released to the environment before the fire was extinguished. But the release was large enough to reach every country in the Northern Hemisphere.

In the Soviet Union, some 5,000 square kilometers (1,930 square miles) were rendered uninhabitable; 130,000

people had to be relocated, and while only 31 people died in the event and its immediate aftermath, some 600,000 people were significantly exposed to radiation. The word "Chernobyl" quickly became a global symbol of the most expensive and frightening accident in industrial history.

How could such an event occur? Zhores Medvedev, a renowned Soviet biologist, who has previously written about a secret 1957 disaster in the Soviet military's nuclear reprocessing program, does an excellent job of telling not only how, but why.

Although a 1987 trial found local operators and supervisors guilty of criminal negligence, Medvedev views the trial as an effort to shift blame away from larger issues and higher officials. In his view, the Chernobyl disaster was caused not just by an oversight of the plant managers, "but by the way in which nuclear energy is administered in the Soviet Union."

If one looks more deeply, the accident started in December 1983 when the reactor was certified without its full range of safety tests. According to Medvedev, "this kind of practice is not unusual in Soviet industrial construction. Everyone, including the government, is unhappy if the plan is registered as unfulfilled."

Reactor No. 4 was a new unit of a graphite-moderated type that was built without any stringent containment structure (unlike American water-moderated reactors). It was nearing the end of its

first fuel cycle — a time when its core was most contaminated with radioactive fission products — when the operators attempted a safety experiment that should have been performed in 1983.

When the disaster occurred, the initial response accentuated the problem. Ill-equipped firemen, unprotected against radiation, poured water on the graphite. At those temperatures, the water quickly turned to hydrogen and oxygen, which fanned the flames. Bombing the reactor core with sand and clay trapped the heat within the remaining core and increased the threat of a second meltdown. Finally liquid nitrogen was pumped into the ground beneath the reactor to lower temperatures but it created a massive steam explosion.

Glasnost was in its infancy in 1986, and throughout the 10-day battle to contain the disaster, Soviet citizens were kept in the dark by their government. The world was notified by Swedish scientists who detected the arrival of the radioactive cloud on April 27.

The silver lining that Medvedev detects in the atomic cloud of Chernobyl is the greatly accelerated process of glasnost. Chernobyl was too big for the Soviet Union to hide.

Joseph S. Nye Jr., the director of the Center for Science and International Affairs at Harvard University, is the author of "Bound to Lead: The Changing Nature of American Power." He wrote this for The Washington Post.

BRIDGE

By Alan Truscott

TWO publishers on opposite sides of the Atlantic, Robert Hale in Britain and Dover in the U.S., provide a useful service by reprinting major works of bridge literature that have long been out of print. Two of these, each with a transatlantic author-publisher combination are worth noting. One of them is Robert Ewen's "Opening Leads," from Hale, surely the best book on this difficult subject. The other is Terence Reese's "Master Play," from Dover, which one reviewer called the "best bridge book ever written."

Reese's book, first published in England under the title "The Expert Game," includes the diagrammed deal from a par event. South reaches three hearts after East has overcalled in diamonds and a diamond is led.

South is in danger of losing four diamond tricks as well as the trump ace. If he can ruff one diamond he is safe. And East cannot afford to prevent this by playing ace and another trump. The defense has only one counter: After winning the first trick East must lead the heart five. This prepares the way for East to take the heart ace and three more diamond tricks, and there is nothing South can do.

Only about one competitor in 100 found this defense, which is worth noting: When dummy has two trumps, it will often pay the defender to underlead a doubleton ace.

NORTH (D)			
♠	AKJ10	♥	QJ10
♦	QJ10	♣	AKQJ10
♠	AKQJ10	♥	QJ10
♦	QJ10	♣	AKQJ10
SOUTH			
♠	QJ10	♥	QJ10
♦	QJ10	♣	AKQJ10
♠	QJ10	♥	QJ10
♦	QJ10	♣	AKQJ10

Neither side was vulnerable. The bidding: North 1♠, South 1♥, North 2♠, South 2♥, North 3♥, South 3♥, North 4♥, South 4♥. West led the diamond two.

PEANUTS



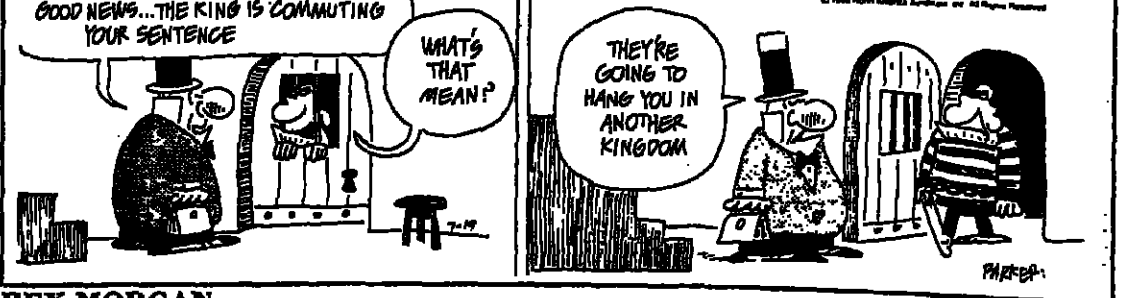
BEETLE BAILEY



ANDY CAPP



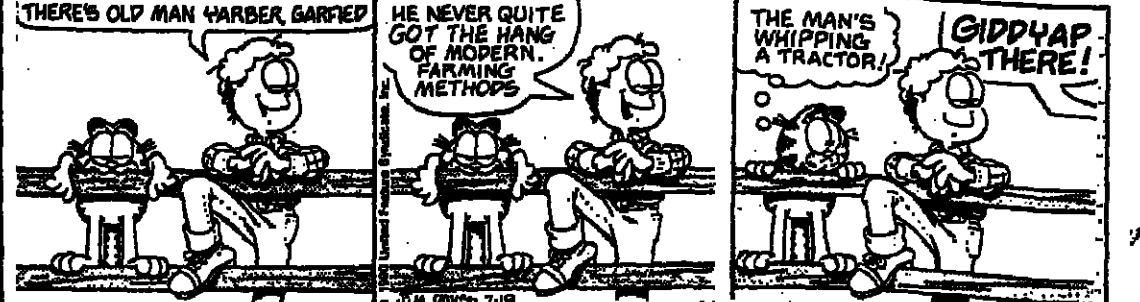
WIZARD OF ID



REX MORGAN



GARFIELD



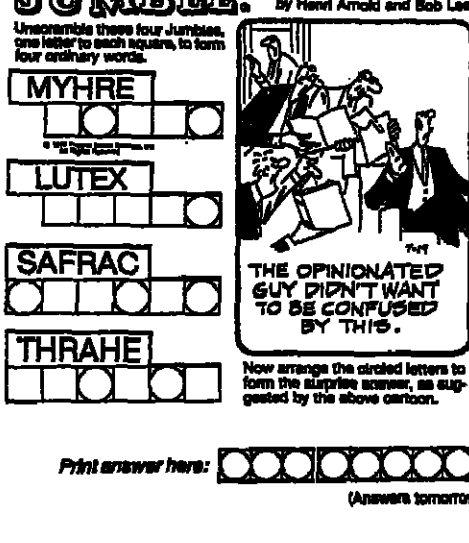
DOONESBURY



DENNIS THE MENACE



JUMBLE



BLONDIE



Come on, Grampa! It's only a shortcut if ya hurry!

Yesterday's Jumble: NAVAL TASTY STIGMA RADIUS. Answer: The reptiles use so full of syllables that it made one think of this "MAST" TRANSIT.

SPORTS

Despite 2 Triple Plays, Twins Fall to Red Sox on Run in 5th

The Associated Press
The Minnesota Twins became the first team in major league history to pull off two triple plays in one game, but that was not enough to overcome eight shutout innings by

BASEBALL ROUNDUP

Tom Bolton as the Red Sox beat the Twins, 1-0, in Boston.
"It's never happened in 120 years or whatever," said second baseman Jody Reed, who hit into the second one on Tuesday. "We were the first. It's like landing on the moon."
But at least the Red Sox landed on their feet.
The only run Boston needed came in the fifth inning off Scott Erickson when rookie Tim Lincecum singled home Mike Greenwell.
"With those triple plays, it was like somebody didn't want you to win the ballgame," Naching said.
Bolton apparently wasn't paying much attention, though. He allowed five hits, struck out six and walked four in eight innings.
Former Twin Tom Brunansky hit into the first triple play with the bases loaded in the fourth. Reed's came with runners on first and second in the eighth.

Both were on grounders to third baseman Gary Gaetti near the bag. Both times he stepped on the base and threw to second baseman Al Newman for the force. Newman relayed to Keni Hrbek, getting both Brunansky and Reed by at least a full stride.

Royals 10, Yankees 7: In New York, Bo Jackson hit three homers and drove in seven runs to lead Kansas City. He never got an opportunity to tie the major-league record of four in one game. He left in the sixth after injuring his shoulder trying to make a diving catch.
Mariners 7, Blue Jays 5: Edgar Martinez doubled home Alvin De-

vis from first base to break a tie in the eighth in Seattle.
Indians 4, Athletics 2: Cory Snyder doubled to lead off the seventh in Oakland, California, and scored on Jerry Browne's sacrifice fly to break a tie.

Orioles 5, Rangers 3: Pete Harnisch retired 22 consecutive batters after a shaky start in Baltimore to earn his first victory in nearly a month. Harnisch allowed three runs, four hits and struck out eight in eight innings.
Joe Mauer hit a three-run homer for the Orioles.
White Sox 7, Tigers 3: In Detroit, Dan Pasqua's two-run homer capped a three-run sixth by Chicago. Melido Perez had a difficult start against the Tigers, giving up three runs on four hits, then allowed just one more in the next six innings.

Angels 8, Brewers 1: Dante Bichette's three-run homer capped a four-run fifth in California. Kirk McCaskill allowed four hits and survived three errors in seven innings.
Reds 6, Expos 2: In a National League game in Cincinnati, Scott

Scudder struck out a career-high nine in an unexpected start when Danny Jackson couldn't get his shoulder loose in the bullpen before the game.

Cardinals 3, Dodgers 0: Bryn Smith won his first game in six weeks and Pedro Ciriaco had two doubles and two RBI in St. Louis.

Braves 14, Phillies 10: Jim Presley hit two of the Braves' five home runs in Atlanta and Ron Gant and Francisco Cabrera each added two-run homers. Both teams had 15 hits.

Giants 6, Pirates 3: In Pittsburgh, Matt Williams hit a tie-breaking grand slam in the sixth and Don Robinson pitched eight strong innings for the Giants, striking out four and walking one.

Cubs 7, Padres 2: Shawn Boskie allowed six hits in 6½ innings and capped a six-run fifth inning with a two-run double in Chicago.

Mets 6, Astros 2: In Houston, Dwight Gooden won his seventh straight start and Kevin McReynolds went four-for-four for the Mets. Gooden gave up seven hits, struck out 10 and walked three over 7½ innings.

Steinbrenner Paid Gambler Out of Fear, Newspaper Reports

The Associated Press
NEW YORK — George Steinbrenner reportedly found an unsympathetic audience when he told the commissioner of baseball, Fay Vincent, why he had paid \$40,000 to gambler Howard Spira.

The National, quoting from the transcript of Steinbrenner's two-day hearing with Vincent on July 5-6, said the principal owner of the New York Yankees told Vincent he made the payment because he feared Spira would harm him or his family.

The U.S. sports daily reported in its Tuesday edition that Stein-

brenner also feared that Spira would reveal information about two employees who stole from the team and about the gambling habits of Lou Piniella, the former Yankee player, manager and general manager, who now manages the Cincinnati Reds.

But Vincent, the paper said, was not interested in Steinbrenner's reasons.
"It doesn't really matter," Vincent said. "The real issue is what did you do. Why did you do it?"

The newspaper also said Steinbrenner wrote a letter to the com-

missioner after the hearings, acknowledging that, "in hindsight, I used poor judgment in giving Spira the \$40,000."

But he reportedly added: "I do not believe it is fair to judge me in hindsight. I do not believe my actions were contrary to the best interests of baseball."

He concluded his letter by urging Vincent not to consider his suspension of 16 years ago in making his decision and offered to pay "whatever part of the investigation's costs you deem appropriate."

Vincent said Wednesday that he was not investigating Piniella.

"We looked into it and there's nothing to it," Vincent said.
The commissioner later issued a statement clearing the Cincinnati Reds' manager.

"Regrettably, the release of Mr. Steinbrenner's testimony without my approval or prior knowledge has caused the disclosure of the names of people who are not involved in my investigation," Vincent said. "Lou Piniella's name was raised by Mr. Steinbrenner. John Dowd subsequently interviewed

Arbitrator Says Owners Colluded on Free Agents

The Associated Press
NEW YORK — Baseball owners conspired against free agents for three consecutive seasons, an arbitrator ruled Wednesday.

The Major League Baseball Players Association said it had received a copy of the decision by the arbitrator, George Nicolau, Wednesday morning.

The union called a news conference later Wednesday to discuss the ruling.

Arbitrators previously had ruled that owners conspired against free agents following the 1983 and 1986 seasons. The decision Wednesday covered those players who became free agents after the 1987 season.

Among the 76 free agents in the so-called collusion II case are Clark, Gary Gaetti, Dave Righetti, Dave Smith, Jack Morris, Mike Witt and Paul Molitor. Some may be able to become free agents again under the precedents established in the collusion cases.

Players already have been awarded approximately \$10.5 mil-

lion as part of the first collusion case. Owners say collusion cost players a minimum of \$70 million but the union says the total is much higher.

In the first two cases, the arbitrators found that the owners deliberately did not sign free agents in an effort to depress player salaries.

The crux of the third case was an information bank maintained by management's Player Relations Committee.

Teams were able to register their offers to free agents with the committee during the offseason and were able to find out what offers other clubs were making to players.

The union contended that the information bank violated the collective bargaining agreement's prohibition against "tampering" with players. Management countered that the information bank was voluntary.

Teams discontinued the information bank before the 1988 free-agent market began.
"We strongly disagree with his

ruling," the executive director of the Players Relations Committee, Chuck O'Connor, said in a statement. "It should be understood that the event's underlying today's ruling occurred over two years ago — in the winter of 1987-88."

He added: "The clubs hope that the parties can now promptly put the free-agent litigation behind them and continue the work of developing a more productive relationship."

The arbitrator Thomas Roberts found for the players in the first collusion case on Sept. 21, 1987, and Nicolau ruled in the second case on Aug. 31, 1988.

In the only monetary decision thus far, Roberts awarded players \$10,528,086.71 on Aug. 31, 1988, in the first stage of damages for the first case.

Barry Rona, the former head of the Players Relations Committee, said that he did not wish to comment about the case decided Wednesday. O'Connor is Rona's successor.

Rose Faces Sentencing In Tax Case

By Murray Chass

NEW YORK — Having been banished from baseball for the rest of his life, Pete Rose was to learn Thursday if he would have to spend part of that life in prison.

Rose, whose baseball penalty was determined 11 months ago, is scheduled to appear before Judge S. Arthur Spiegel of U.S. District Court in Cincinnati for sentencing on two counts of filing false income tax returns.

Federal sentencing guidelines indicate that Spiegel will send him to prison, perhaps for eight to 14 months. The judge, however, has leeway under the guidelines to sentence Rose to a longer sentence or even to no more than probation.

One of baseball's most colorful all-time heroes, Rose pleaded guilty to the charges on April 20 in an arrangement with the U.S. attorney's office.

Seldom injured as a player, Rose will appear before Spiegel on crutches. He suffered torn cartilage in his right knee on Sunday when he fell while playing with some children at a reunion of his wife's family in Indiana. He is scheduled to have surgery on the knee on Friday.

A federal investigation that coincided with the baseball inquiry into Rose's gambling activities uncovered information that Rose failed to report income totaling \$354,967.60 in the years 1984-87. He derived the income, the government said, from personal appearances, card shows and the sale of memorabilia.

The tax bill on that total was \$162,703.15. That is the key figure as far as the federal sentencing guidelines are concerned.

One law enforcement official who refused to be identified said: "Spiegel has the reputation for hammering white-collar criminals. He looks more harshly at people who should know better. He has bled them badly."

The official also said he did not think Spiegel would be influenced by Rose's celebrity status.

Under the plea-bargaining arrangement, Rose pleaded guilty to filing false returns for 1985 and 1987.



A triumphant Dmitri Konichev after his victory Wednesday. He became the first Soviet rider to win a Tour de France stage.

Team Rallies, Saving the Day for LeMond

By Samuel Abt

PAU, France — For 20 of the 3,412 kilometers the Tour de France will cover, Greg LeMond took control of the race Wednesday. Then he and his fellow 21 riders rallied to prove the adage that professional bicycle racing is an individual sport practiced by teams.

How LeMond managed to save the day, and probably his second successive victory in the world's greatest bicycle race, illustrates the superb teamwork that has surrounded the American. He earned that cooperation.

When he found himself trailing a teammate, Roman Pensec, by 10 minutes only a week ago, LeMond played a team game. Subordinating his personal ambitions and his role as team leader, he gained widespread respect by riding on Pensec's behalf.

Now his usefulness is being repaid. At the end of the day, LeMond was still second overall, five seconds behind the leader. Because his team labored so hard for him in the Pyrenees, LeMond was able to make up the lost 20 kilometers and finish in the same time Wednesday as the other leaders.

They were all 5 minutes, 31 seconds, behind the winner, Dimitri Konichev, a Russian with the Alfa Lum team. It was the first stage victory ever by a Soviet rider; this is the first Tour in which Soviet cyclists have competed.

Konichev came into Pau one second ahead of Johan Bruyneel, a Belgian with Lotto. Third, 11 seconds back after a muggy day in the mountains, was Steve Bauer, a Canadian with 7-Eleven. None of the riders ahead of the leaders is a contender for the final victory.

LeMond is sounding extremely confident that the victory will be his when the three-week race ends in Paris on Sunday.

Speaking of Saturday's time trial, or race against the clock, that is expected to be the showdown, the American said of himself and the leader, Claudio Chiappucci: "If I lose, I'm

going to have a very, very bad day and he's going to have the best day of his life."

Both nearly took place Wednesday. LeMond's scare occurred when the rear tire on his bicycle punctured at kilometer 77 of the 150-kilometer (93-mile) race over two mountains between Lourdes and Pau. Before he could get going again he had lost 1:06 to Chiappucci.

Then Eric Boyer and Jerome Simon of Z caught up to LeMond after a team mechanic replaced the wheel. Far ahead in a breakaway, two other Z riders, Gilbert Duclos-Lassalle and Atle Kvalsvoll, were told by their team manager to stop and wait for LeMond.

When he reached them, the five-man group stormed up the final kilometer of a climb and down the other side of the Marie Blanche peak, 1,035 meters (3,395 feet) high.

Taking turns at the front to set a faster pace than one man could do alone and letting each other draft in the slipstream and save energy, the cyclists caught Chiappucci in about 25 minutes.

From there on, there was no trouble. The mountains are past now, and only two days on the flat precede the time trial, an exercise at which LeMond is by far Chiappucci's master.

LeMond will not have to worry about teamwork in the time trial since riders start alone. It was in the mountains that he benefited and where he gave.

On the climb to Alpe d'Huez a week ago, for example, when he finished second and Pensec was far behind, LeMond would not work with a leading group to improve his finishing time.

He gained back only 48 seconds of the 10 by which he trailed. He easily might have made up minutes, at the cost of helping Pensec's opponents gain that time too.

"Greg played the game by the rules," said his team manager, Roger Legay. "He proved he's a team player."

The French press and public hailed him, a leader making \$1.5 million this year, for protecting a French teammate making a third of that who is not in LeMond's class but was

wearing the yellow jersey. Other riders and managers agreed.

"Greg worked for me and now it's my turn to work for him," said Pensec, now in 10th place. "That's how a good team does it."

Bauer, a friend and former teammate of LeMond's, seconded the consensus with a bite. "You have to play the game and Greg played it well, I think," he said. "Of course, not everybody does play by the rules, as Greg knows."

That was an allusion to the 1986 Tour de France, when LeMond's teammate, Bernard Hinault, reneged on a public promise to help LeMond and attacked him nearly the entire duration of the Tour.

LeMond won that race, with Hinault, who was seeking his sixth Tour victory, second. He retired that year and LeMond has barely spoken since to the Frenchman, who was once his mentor and idol.

Team morale is no problem with Z this year, according to LeMond. "I have a magnificent team and I owe a lot to them," he said after Tuesday's mountain stage to Luz Ardiden, where he was strongly supported as he made up more than two minutes on Chiappucci.

As he sat in the Z team trailer, awaiting the start of the first stage in the Pyrenees, LeMond insisted that he had not protected Pensec simply out of chivalry.

"No," he insisted, "it's tactics. I know what the Tour de France is and I had the underlying hope that it would disintegrate. One of my better qualities is that I'm very patient and I like to wait things out."

Did he have any mixed emotions at the possibility that he had imperiled his third Tour victory in five years?

"No, no, no, no, no," he said. "I would never play the same game Hinault did. We're a team for three years together and I know that if I want to be able to live with Roman, we've got to work together."

"Besides," LeMond concluded, "for me it worked out fine."

SCOREBOARD

BASEBALL

Major League Standings

AMERICAN LEAGUE			
East Division			
Boston	W	L	Pct.
Toronto	40	42	.488
Cleveland	44	44	.500
Detroit	43	45	.489
Baltimore	42	47	.471
Minnesota	39	48	.448
New York	31	56	.354
West Division			
Oakland	56	29	.659
Chicago	50	35	.588
Seattle	48	38	.558
California	45	41	.520
Minnesota	43	47	.479
Texas	41	49	.450
Kansas City	40	49	.448
NATIONAL LEAGUE			
East Division			
Pittsburgh	W	L	Pct.
New York	50	25	.667
Atlanta	48	28	.629
Philadelphia	42	34	.554
Chicago	39	37	.513
St. Louis	37	37	.500
West Division			
Cincinnati	W	L	Pct.
San Francisco	49	26	.652
Los Angeles	48	28	.629
San Diego	43	34	.558
Atlanta	35	41	.459
Houston	26	51	.339

Tuesday's Line Scores

AMERICAN LEAGUE			
East Division			
Cleveland	200	110	4-11
Oakland	200	100	3-2
Swindell, Sanchez	(7)	D.Jones	(3)
Moore, Klink	(1)	Quirk	(W)
Swindell	5-5	Moore	5-5
HR—Oakland, McGwire (2).			
Runs	100	60	0-0
Boston	200	100	3-2
Erickson, Candalaria	(7)	Ortiz	(W)
Reardon	(1)	Pena	(W)
Erickson	1-2	Reardon	(1)
Runs	100	60	0-0
Baltimore	200	100	3-2
McBrien, J.B. (W)			
HR—Baltimore, J.B. (W)			
Runs	100	60	0-0
Kansas City	200	100	3-2

Japanese Leagues

Central League			
East Division			
Yokohama	W	L	Pct.
Tokyo	35	25	.581
Hiroshima	34	26	.565
Chiba	34	26	.565
Yokohama	34	26	.565
West Division			
Osaka	W	L	Pct.
Osaka	35	25	.581
Yokohama	34	26	.565
Chiba	34	26	.565
Yokohama	34	26	.565

GOLF

British Open

Melebeck (A) & E. W
